



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

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

2022 Annual Report



Company Profile

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

Our principal business segments include distressed asset management and financial services. Distressed asset management is the core business of the Company. The Company has 33 branches in 30 provinces, autonomous regions and municipalities in mainland China and seven subsidiaries as platforms for providing distressed asset management and financial services in mainland China and Hong Kong, including Nanyang Commercial Bank, Limited, Cinda Securities Co., Ltd., China Jingu International Trust Co., Ltd., Cinda Financial Leasing Co., Ltd., China Cinda (HK) Holdings Company Limited, Cinda Investment Co., Ltd. and Zhongrun Economic Development Co., Ltd. The Group had approximately 14,000 employees at the end of 2022.

In 2022, the Company was awarded the “Listed Company with the Best Investment Value and High-quality Development” of the China Securities Golden Bauhinia Awards, the “China Business Top 100 Award” and the “China Top 100 Best Operation Management Award” of the China Top 100 Listed Companies Summit Forum, the “Annual Award for Financial Contribution to Serving the Real Economy” of the China Golden Tripod Awards, and the “Typical Cases of Financial Services to Specialised and New Small and Medium-sized Enterprises” of the China Banking Association and the China Small and Medium Enterprises Association, and was included in the Fortune’s China ESG Impact List and Forbes China ESG50 List.

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Definitions

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

“(our) Company”	China Cinda Asset Management Co., Ltd.
“(our) Group”	China Cinda Asset Management Co., Ltd. and its subsidiaries
“2021 Offshore Preference Share(s)”	the 85,000,000 non-cumulative perpetual preference shares with a par value of RMB100 per share non-publicly issued by the Company in the offshore market on November 3, 2021, which are listed on the Hong Kong Stock Exchange (stock code: 04621)
“Articles”	the current articles of association of China Cinda Asset Management Co., Ltd.
“CBIRC”	China Banking and Insurance Regulatory Commission
“CBRC”	the former China Banking Regulatory Commission
“Cinda Financial Leasing”	Cinda Financial Leasing Co., Ltd., a subsidiary of the Company
“Cinda Fund”	Cinda Fund Management Co., Ltd., a subsidiary of the Company
“Cinda Futures”	Cinda Futures Co., Ltd., a subsidiary of the Company
“Cinda Hong Kong”	China Cinda (HK) Holdings Company Limited, a subsidiary of the Company
“Cinda International”	Cinda International Holdings Limited, a subsidiary of the Company (a company listed on the Hong Kong Stock Exchange, stock code: 00111)
“Cinda Investment”	Cinda Investment Co., Ltd., a subsidiary of the Company
“Cinda Real Estate”	Cinda Real Estate Co., Ltd., a subsidiary of the Company (a company listed on the Shanghai Stock Exchange, stock code: 600657)
“Cinda Securities”	Cinda Securities Co., Ltd., a subsidiary of the Company (a company listed on the Shanghai Stock Exchange, stock code: 601059)
“Domestic Share(s)”	ordinary share(s) with nominal value of RMB1.00 each in the share capital of the Company, which is (are) subscribed for or credited as fully paid up in Renminbi
“H Share(s)”	ordinary share(s) with nominal value of RMB1.00 each in the share capital of the Company, which is (are) listed on the Hong Kong Stock Exchange

Definitions

“Hong Kong Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended from time to time
“Hong Kong SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended from time to time
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“IFRS”	International Financial Reporting Standards issued by the International Accounting Standards Board
“Jingu Trust”	China Jingu International Trust Co., Ltd., a subsidiary of the Company
“Latest Practicable Date”	April 21, 2023, being the latest practicable date for the purpose of ascertaining certain information contained in this report prior to its publication
“MOF”	the Ministry of Finance of the PRC
“NCB”	NCB Hong Kong and its subsidiaries
“NCB China”	Nanyang Commercial Bank (China) Limited, a wholly-owned subsidiary of NCB Hong Kong
“NCB Hong Kong”	Nanyang Commercial Bank, Limited, a licensed bank in Hong Kong, a subsidiary of the Company
“NCSSF”	National Council for Social Security Fund, PRC
“PBOC”	the People’s Bank of China
“PRC GAAP”	Accounting Standards for Business Enterprises and the Application Guidance thereof promulgated by MOF, as well as other relevant regulations
“Reporting Period”	the year ended December 31, 2022
“RMB”	Renminbi
“State Council”	the State Council of the People’s Republic of China
“Zhongrun Development”	Zhongrun Economic Development Co., Ltd., a subsidiary of the Company

Important Notice

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

On March 28, 2023, at the 2023 fourth meeting and the 2023 second regular meeting of the Board, the Board considered and approved the 2022 Annual Report (2022 Annual Results Announcement) of the Company. There were 12 Directors eligible to attend the meeting, of whom 12 attended in person.

The annual financial reports for 2022 prepared by the Company according to the PRC GAAP and IFRS, respectively, were audited by Ernst & Young Hua Ming LLP and Ernst & Young in accordance with the Chinese and International Standards on Auditing, respectively, and they have issued the standard and unqualified audit reports for the Company.

The Board proposed to distribute a cash dividend for ordinary shares of RMB0.4963 per 10 shares (tax inclusive) for 2022 to shareholders, which is subject to the approval at the annual general meeting for 2022.

Board of Directors of China Cinda Asset Management Co., Ltd.
March 28, 2023

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

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

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

1. Corporate Information

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

2. Financial Summary

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

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

2. Financial Summary

	As at and for the year ended December 31,				
	2022	2021	2020	2019	2018
	(in millions of RMB)				
Continuing operations					
Income from distressed debt assets at amortized cost	10,070.7	13,466.6	19,150.7	16,403.6	19,308.3
Fair value changes on distressed debt assets	11,284.3	15,475.8	12,547.0	13,645.3	11,451.5
Fair value changes on other financial instruments	5,410.4	14,674.8	12,566.5	14,840.1	16,085.0
Investment income	216.8	156.8	322.5	464.5	152.9
Interest income	27,394.9	25,100.8	23,899.2	25,401.6	25,005.7
Revenue from sales of inventories	16,068.3	20,385.5	24,316.3	18,169.4	17,446.4
Other income and other net gains or losses	10,543.0	8,470.7	7,331.8	7,222.4	8,653.6
Total income	80,988.4	97,731.0	100,134.0	96,146.9	98,103.4
Impairment losses on assets	(13,258.0)	(11,722.9)	(14,096.8)	(8,924.2)	(8,156.2)
Interest expense	(40,081.1)	(41,936.9)	(39,618.5)	(44,366.6)	(46,286.5)
Purchases and changes in inventories	(12,859.5)	(16,906.4)	(17,360.4)	(12,868.8)	(11,382.2)
Other costs and expenses	(13,268.0)	(13,582.3)	(12,984.0)	(12,398.2)	(11,549.3)
Total costs and expenses	(79,466.6)	(84,148.5)	(84,059.7)	(78,557.8)	(77,374.2)
Change in net assets attributable to other holders of consolidated structured entities	(47.5)	(20.1)	(17.8)	(237.5)	(519.8)
Share of results of associates and joint ventures	8,983.3	5,816.5	252.7	1,920.8	2,488.4
Profit before tax from continuing operations	10,457.6	19,378.9	16,309.3	19,272.4	22,697.8
Income tax expense	(3,226.3)	(6,378.4)	(5,324.0)	(5,754.6)	(6,951.9)
Profit for the year from continuing operations	7,231.3	13,000.5	10,985.2	13,517.8	15,745.9
Discontinued operation					
Profit/(Loss) after tax for the year from a discontinued operation	–	–	3,752.0	1,500.4	(3,866.0)
Profit for the year	7,231.3	13,000.5	14,737.3	15,018.2	11,879.9
Profit attributable to:					
– Equity holders of the Company	6,313.4	12,061.7	13,247.9	13,052.9	12,036.1
– Non-controlling interests	917.9	938.7	1,489.4	1,965.3	(156.2)

2. Financial Summary

	As at and for the year ended December 31,				
	2022	2021	2020	2019	2018
	(in millions of RMB)				
Assets					
Cash and balances with central banks	16,677.4	18,045.7	15,375.0	19,002.1	16,651.9
Deposits with banks and financial institutions	97,830.1	99,921.3	87,953.6	70,837.6	80,102.6
Financial assets at fair value through profit or loss	503,495.9	456,203.8	446,916.7	412,164.6	428,791.0
Financial assets at fair value through other comprehensive income	130,487.7	122,592.3	123,728.5	136,803.0	116,827.6
Loans and advances to customers	396,530.0	368,031.4	353,456.3	337,859.1	336,616.5
Financial assets at amortized cost	169,994.3	183,535.0	220,233.0	227,645.1	252,416.7
Assets held for sale	–	–	–	61,394.2	–
Other assets	300,973.6	315,949.8	270,420.5	247,524.3	264,352.9
Total assets	1,615,989.0	1,564,279.3	1,518,083.6	1,513,230.0	1,495,759.2
Liabilities					
Borrowings from the central bank	986.1	996.0	986.1	1,010.9	986.1
Accounts payable to brokerage clients	19,107.2	17,605.6	16,583.8	14,320.3	10,315.8
Due to customers	323,040.5	298,748.1	273,644.2	275,205.8	254,099.9
Borrowings	615,357.9	555,079.1	556,912.1	536,591.3	570,870.2
Accounts payable	4,946.9	5,389.5	4,886.7	5,050.8	5,303.8
Bonds issued	292,882.8	367,806.7	355,777.5	304,849.6	283,115.1
Liabilities held for sale	–	–	–	57,924.1	–
Other liabilities	151,672.5	116,878.8	114,250.8	129,866.7	192,499.8
Total liabilities	1,407,993.9	1,362,503.8	1,323,041.2	1,324,819.5	1,317,190.7
Equity					
Equity attributable to equity holders of the Company	188,205.7	178,800.8	172,108.7	164,898.1	156,492.8
Non-controlling interests	19,789.4	22,974.7	22,933.7	23,512.3	22,075.6
Total equity	207,995.1	201,775.5	195,042.4	188,410.5	178,568.5
Total equity and liabilities	1,615,989.0	1,564,279.3	1,518,083.6	1,513,230.0	1,495,759.2

2. Financial Summary

	As at and for the year ended December 31,				
	2022	2021	2020	2019	2018
	(in millions of RMB)				
Financial indicators					
Return on average shareholders' equity ⁽¹⁾ (%)	3.38	7.15	8.26	8.56	8.32
Return on average assets ⁽²⁾ (%)	0.45	0.84	0.97	1.00	0.82
Cost-to-income ratio ⁽³⁾ (%)	44.02	32.15	25.46	30.68	30.51
Earnings per share ⁽⁴⁾ (RMB)	0.14	0.29	0.32	0.31	0.29
Net assets per share ⁽⁵⁾ (RMB)	4.07	4.14	3.95	3.76	3.54

Notes:

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

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3. Chairman's Statement



Chairman
ZHANG Weidong

3. Chairman's Statement

2022 was a historic year for both the CPC and China. The 20th National Congress of the CPC was successfully convened. An ambitious blueprint has been drawn for building a modern socialist country in all respects and advancing the great rejuvenation of the Chinese nation on all fronts through a Chinese path to modernization. China Cinda was diligent and resolute in implementing the decisions and plans of the Party Central Committee and the State Council. Through vigorous and determined endeavor, China Cinda accomplished its business objective of stabilized scale, revenue and quality. 2022 was also a year of multiple challenges. Only in hard times can courage and perseverance be manifested. Only after polishing can a piece of jade be finer. In the face of challenges, we started our new journey by making steady progress, and forged ahead with enterprise and fortitude on the development path of the “Professional Cinda, Efficient Cinda and Valuable Cinda”.

As at the end of 2022, the Group's total assets amounted to RMB1,615.99 billion, and its profit attributable to equity holders of the Company amounted to RMB6.31 billion for the year. The Board proposed to distribute an annual cash dividend of RMB0.4963 per ten shares (tax inclusive) to shareholders, which is subject to the approval at the annual general meeting.

Integrating into national development with functional positioning

The distressed assets business from banks is the foundation of the Company. The Company adhered to the main business field, acted as the main force and continued to maintain its leading position in the industry. On the acquisition side, on the basis of “considering every package”, the headquarters of the Company gave full play to the role as a radiation center, broadened the acquisition methods, and jointly held special promotion meetings with banks, which broadened the two-way linkage in between and involved the Company's branches and subsidiaries. On the disposal side, the Company attached great importance to the turnover of stock assets, explored potential customers and discovered the value of assets. The Company held the online promotion meeting themed “Sailing forward through Waves” for distressed assets to create a new method for intensive disposal of distressed assets.

The Company grasped the market dynamics of the spreading down of financial risk mitigation to small and medium-sized institutions, responded to the concerns of the state and regulatory authorities, and participated in the pilot work of risk mitigation of financial institutions such as small and medium-sized banks. The Company actively served and increased visits to local governments and small and medium-sized financial institutions to fully mobilise resources of all parties. The Company explored the asset-light operation mode, designed solutions suitable for different scenarios based on classified policies, and upheld fundamental principles and broke new ground for contributing its strength to the battle of preventing and mitigating financial risks. The Company continued to give full play to the functional advantages and experience advantages of distressed asset disposal, and made effective investment in trust, default bonds, leasing and other fields.

3. Chairman's Statement

The Company remained true to its original mission and shouldered its social responsibility as a central financial enterprise in serving the real economy and preventing and mitigating financial risks. The Company supported the delivery of housing projects to maintain stability, ensured the timely delivery of 35,000 units of commercial properties, helped people to live up to their dreams, and maintained social and financial stability. The Company strengthened the construction of investment and research integration, studied and formulated the Company's key industry strategies, increased the business layout of new energy and new economy, and served the national key field development strategy and the construction of modern industrial system.

Cultivate competitive advantages and make continuous efforts in capacity building

The Company strove to build an open, all-win and efficient ecosystem with the business chain of distressed assets as the basis and the strategic customers as the core. The headquarters of the Group played a leading role in establishing the customer base of the business lines. Its branches and subsidiaries established their own customer base and ecosystem in their respective regions, taking into account their own characteristics and the local economic and financial environment. The Group conducted "industry + finance" cooperation with excellent enterprises. By embracing mutual discussions and an all-win situation, the Group has improved its professional appraisal ability and risk prevention and control ability.

"Digital Cinda" construction is always on the way, and continues to promote the transformation and upgrading of the Company. The digital technology is reshaping the business logic and ecosystem of the financial industry. The information technology will better empower the frontline to achieve accurate identification of quality customers, accurate matching of potential business and accurate output of customer service, significantly improve the intelligence and objectivity of risk identification, risk assessment, risk monitoring, risk control and risk defusing, enhance the Company's risk management level in all aspects, improve compliance management capability, and promote transformation of the Company to data decision-making.

Enterprise competition in the final analysis is talent competition, and talent is the first resource. Over the past year, the Company has made great efforts to establish core business courses, improve the case teaching and other training and cultivation system for its staff, vigorously identify, foster and select outstanding young cadres, and increase the rotation of cadres. The Company prepared the Five-year Plan for the Construction of Cadres and Talent Team, and deployed the strategies and measures for the construction of talent team, the selection criteria of cadres, the structure of cadres and the management mechanism of cadres.

Culture is the root of an enterprise. Only when the root is deep can the leaves grow. Since its beginning, the Company has established a cultural core of "simple, fresh, sunshine and inclusive". The original aspiration of the Company remains and the culture continues to flourish. Today, the Group's cultural genes of synergy, open innovation, embracing changes, pragmatism and efficiency are constantly flowing in, silently moistening every Cindaer and inspiring them to forge ahead.

3. Chairman's Statement

Build the bottom line of development and take multiple measures for risk management

Risk prevention and control is the lifeline for sustainable and stable development. The Company has gradually built an asset portfolio and customer structure that match its risk appetite, increased the proportion of stable business in the asset allocation, and formed a long-term supportable stable business customer base. The Company held tightly to the crucial links, always adhered to the bottom-line thinking of project investment, and solidly and effectively implemented management measures such as risk guarantee and potential risk project consultation.

The Company effectively compacted stock risks by taking multiple measures, including the coordinated operation of mechanisms of checklist-based project management, supervision led by the Company's leaders, and linkage between the headquarters, branches and subsidiaries, and further consolidated the quality of assets. The Company established a comprehensive review mechanism of risk items, focused on accumulating experience while resolving stock risks, and continuously improved its risk management and compliance operation capabilities, contributing to the formation of new core competencies.

Adhere to sustainable development and bear in mind serving the people through finance

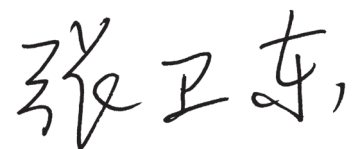
Lucid waters and lush mountains are invaluable assets. The ESG concept has been deeply embedded in the business expansion. Over the past year, the Company has been expanding its green financial map, and its green fund and green bond business has been conducted orderly. Combined with its own functional positioning, the Company supported the development of green industries and enterprises in the process of providing financial services such as divestment of main and auxiliary businesses, special opportunity investment, and restructuring and listing.

The Company adhered to the political and people-oriented nature of financial services. Cinda Industrial Development Fund for Poverty Alleviation has enhanced the independent production and operation capacity of the areas that have got rid of poverty, while the customized comprehensive financial assistance programs have consolidated the achievement of poverty alleviation. In practicing its belief in serving the people through finance, the Company's charitable trust "Cinda Greater Love" has spent tens of millions of RMB, benefiting more than 10,000 people. The Company resolutely implemented the national policy of rural revitalization and assistance. While increasing investment in agricultural resources, the Company strengthened education and training of farmers in rural areas, and promoted the revitalization of rural industries, talents and ecology.

3. Chairman's Statement

Chairman Zhang Zi'ai retired normally due to his age in 2022. During his tenure, Mr. Zhang Zi'ai has been diligent and dedicated to his duties. He made great efforts in reforming and innovating, and overcame various difficulties. On behalf of the Board, I would like to express the sincere gratitude to Mr. Zhang Zi'ai for his outstanding contributions. In 2022, Mr. Zhang Guoqing, Mr. Zhu Wuxiang and Mr. Sun Baowen resigned as Directors due to their work arrangements, expiration of the terms of office and other reasons. They have made important contributions to the reform and development of Cinda, and I would like to thank them all here. Meanwhile, I warmly welcome new Directors to the Board. I believe that the new Directors will strengthen the governance of the Company.

2023 is the first year to fully implement the guiding principles of the 20th CPC National Congress. The original aspiration is the torch and the mission is rock-solid. We will continue to be guided by Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era, fully implement the principles of the 20th CPC National Congress, and follow the decisions and deployments of the Party Committee of the CBIRC. We will stay confident and strive for progress while maintaining stability, adhere to the concept of "Professional Cinda, Efficient Cinda and Valuable Cinda", focus more on our main responsibilities and core business, and achieve structure adjustment, transformation promotion and capability enhancement. We will better coordinate the effective improvement of quality and reasonable growth of quantity, better coordinate the inventory revitalization and incremental investment, better coordinate the market development of new customers and the exploration of opportunities for existing customers, better coordinate the inheritance of experience and asset management transformation, and better coordinate the formulation of strategies and transmission at the primary level. We will take practical actions to fulfill our mission of preventing and defusing risks and serving the real economy, steadfastly advance financial development with Chinese characteristics, and contribute the strength of Cinda to the Chinese path to modernization.



Chairman: **ZHANG Weidong**

March 28, 2023

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4. President's Statement



President
LIANG Qiang

4. President's Statement

In 2022, in the face of the severe and complex macro situation, China Cinda actively fulfilled the responsibility and mission as a state-owned AMC, kept pace with the development of China, and walked with the economy and society for a common goal. The Company paid close attention to the tasks of serving the real economy, preventing and controlling financial risks and deepening financial reform, maintained strategic determination, and focused on the main responsibilities and core business. The Company upheld fundamental principles and broke new ground, forged ahead with enterprise and fortitude, and promoted the high-quality development to move steadily and far.

Maintain stable and balance with operating results staying ahead

In 2022, the Company, in strict compliance with the Hong Kong Listing Rules, maintained a good corporate governance structure through standardized management and scientific operation. The management carried out its work in accordance with the authorization and in compliance with the law. The Company maintained stable operation and achieved profit attributable to equity holders of the Company of RMB6.31 billion and return on average shareholders' equity of 3.38%. As of the end of 2022, the Group's total assets amounted to RMB1,615.99 billion, representing an increase of 3.3% as compared to the end of the previous year. The core tier-one capital adequacy ratio was 10.98%, which satisfied the regulatory requirements and maintained a reasonable margin of safety, and the foundation for development was continuously consolidated.

Hold on to the main business and proactively prevent and mitigate risks

In 2022, the Company gave full play to the counter-cyclical rescue function of AMCs, actively participated in resolving risks in key areas and key institutions, and spared no effort to maintain national financial security.

We stepped up the acquisition of financial distressed assets and recorded a new acquisition-operation distressed debt assets of RMB74.2 billion throughout the year, an increase of 40.8% over the same period last year. We sustained our leading position in the open market and assisted a number of financial institutions to dispose of distressed assets of nearly RMB150 billion. We continued to diversify the acquisition sources by involving in the risk resolution of various types of financial products such as bonds, stocks, private equity funds and asset management products and promoting the value repair of the underlying assets. We actively engaged in the reform and risk resolution of small and medium-sized financial institutions, and acquired non-performing debt assets from small and medium-sized financial institutions amounting to RMB53.4 billion throughout the year. We balanced the asset disposal turnover and value preservation, and the net income of the Acquisition-operation Distressed Assets business exceeded RMB10 billion for five consecutive years on an annual average basis. We engaged in 82 real estate market risk resolution projects throughout the year, with an investment size of RMB40.1 billion, securing the delivery of housing projects, stability and people's livelihood.

4. President's Statement

Uphold fundamental principles and break new ground and improve the quality and efficiency of the service

In 2022, the Company continued to increase its support for the real economy, integrated ESG concepts into operation management and business expansion, and continuously optimized financial services for key areas and weak links.

We saw remarkable results in serving energy security and the “double carbon” strategy, and maintained a steady growth in the energy sector in terms of new investments, existing scale and investment income. The new economy business achieved a breakthrough, investing projects amounting to RMB37.4 billion throughout the year, providing financial support closing to RMB30 billion, and helping green low-carbon enterprises issue green bonds and trust products amounting to RMB5.5 billion. We successfully concluded the three-year campaign to support the reform of state-owned enterprises, providing over RMB100 billion in financial support to central and local state-owned enterprises through M&A and restructuring, and the divestment and disposal of “non-main business, non-dominant business and inefficient assets, ineffective assets”. The quality and efficiency of inclusive financial services were constantly deepened. NCB Hong Kong and NCB China provided credit support for 2,800 and 1,040 small and micro enterprises, respectively.

Step up control and reinforce the foundation of sound development

In 2022, the Company continuously enhanced awareness of risk prevention and bottom-line thinking, coordinated development and securities, quality and efficiency improvement and overall growth to ensure sound and sustainable development.

We strengthened the risk concept of “holding the bottom line and managing proactively”, implemented the requirements of comprehensive risk management, and continuously improved asset quality. We strengthened the construction of a comprehensive risk management system, strengthened process control, improved the risk monitoring system, and improved the efficiency of risk warning. We consolidated and optimized the liability system, took into account both “extended duration” and “cost control” to ensure liquidity security. We strengthened the construction of “Digital Cinda” to drive business process reengineering, organizational reform and strategic transformation.

4. President's Statement

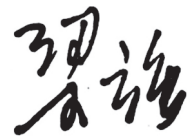
Put customers first and consolidate the concept of all-win development

In 2022, the Company actively paid attention to the needs of our customers, considered customer resources as important assets and the source of value creation, and worked hand in hand with them for win-win outcomes, playing our securing role of the main business ecosystem in solidifying the foundation, stabilizing the operations and making long-term benefits.

The Company deepened the development of key industries, drew up the industrial ecological map, strengthened customer marketing, and established multi-dimensional strategic partnerships. The Company provided customers with “tailor-made” financial solutions through collaboration with the Group's integrated platforms of banking, securities, futures, mutual funds, trust and financial leasing. We cooperated with local governments, industry associations, high-quality industry investors and key entities in various business chains to share the value appreciation of distressed assets and seek new development of the industry ecosystem.

Future prospect, stay true to our original aspiration to forge ahead

2023 marks the opening year of the full implementation of the spirit of the 20th CPC National Congress and the 10th anniversary of the Company's listing in Hong Kong. The Company will adhere to sound operation and innovative development, and strive to forge scientific research and judgment capability, professional operation capability, fine management capability and efficient execution capability, safeguarding the long-term interests of investors with our high-quality and sustainable development. I myself will, together with the management, earnestly implement the decisions and deployments of the CPC Central Committee and the State Council, fully fulfill the requirements of the Board, and consciously accept the supervision of the Board of Supervisors. With integrity and dedication, I will make every effort to seek innovation and progress, strive to deliver better business performance and create greater social value, giving back to our customers, investors and the community for their trust and support!



President: **LIANG Qiang**

March 28, 2023

5. Management Discussion and Analysis

5.1 Economic and Regulatory Environment

2022 witnessed a sharp decline in world economic growth. Geopolitical conflicts persisted, energy, food and other commodity prices rose, inflation remained high, and the global industrial and supply chains underwent deep adjustment. The FED's aggressive interest rate hikes have triggered a wave of global interest rate hikes, and the tightening of monetary policy in developed economies has created spillover effects, which not only increased the risk of global economic recession, but also amplified debt risks, especially the escalated sovereign debt crises in emerging market countries, resulting in the global financial market turmoil and the accumulation of financial system vulnerabilities.

In 2022, the economic development quality of China steadily improved even in the face of multiple domestic and overseas factors beyond expectation. With an accelerated establishment of the new development pattern as well as the unchanged fundamentals of strong resilience, high potential and sufficient vitality, the economic operation remained in a reasonable range. Economic growth slowed down with the annual GDP increased by 3%, while industrial and agricultural production grew steadily, employment and prices were basically stable, providing powerful protection for the people's livelihood and security. The development of industrial upgrading continued, new drivers of growth developed continually, resilience and security level of industrial and supply chains improved, and scientific and technological innovation achievements were obtained plentifully and substantially.

The Chinese government coordinated domestic and international overall situation, ensured both development and security, precisely mastered macro regulation, ensured the effective implementation of policies of economic stabilization, made efforts to maintain market entities operation, job security, and basic livelihood, and kept the overall stability of the economy and society. The Chinese government also made active fiscal policies effectual, implemented large-scale tax and fee reductions, reasonably arranged an appropriate scale of local government bonds issuance, expanded the scale of fiscal spending, and steadily defused the risk of hidden debts of local governments. The monetary policy was prudent with flexibility and moderation. With three times of reductions on interest rate and two times of reductions on requirement reserve ratio, a reasonable abundance of liquidity was maintained, corporate financing costs were further reduced, financial support for the real economy, key areas and weak links was continuously increased, infrastructure construction, green transformation and technological innovation were all accelerated. The financial reform and opening up continued to deepen, the macro-prudential policy framework and governance mechanism were further improved, the financial stability guarantee fund was established, positive progress was made in the disposal of high-risk small and medium-sized banks, the rectification and reform of the financial business of platform enterprises were fully implemented, and a smooth transition of the real estate industry to a new development model was achieved. All these efforts firmly ensured the bottom line of no systematic risk would arise.

5. Management Discussion and Analysis

In accordance with the policy of “maintaining overall stability, ensuring coordination, implementing category-based policies, and defusing risks through targeted efforts” and adhering to the market oriented principle and rule of law, regulatory authorities made every effort to reduce the stock risk and strictly controlled the incremental risk to ensure that the overall financial risk was under control. First, the regulators classified the asset risks, increased the disposal of non-performing assets, steadily promoted the reform and risk defusion of high-risk small and medium-sized financial institutions, facilitated the healthy development of the real estate market, encouraged AMC to participate in the disposal of non-performing assets of small and medium-sized financial institutions through market-based approaches such as acquisition or management upon authorization and to participate in the merger and reorganization of high-risk financial institutions, guided AMC to participate in the risk resolution of key real estate enterprises, and supported AMC to revitalize inefficient assets through the acquisition and disposal of distressed assets, substantive restructuring, market-based DES and other means. Second, the regulators launched the second pilot of non-performing loan transference business in China Credit Assets Registry & Exchange to include policy banks, urban commercial banks in some provinces and cities, small and medium-sized rural banks, trust companies and other non-bank financial institutions in the scope of the pilot, which further broadened the disposal channels of distressed assets and improved the primary market of distressed assets. Third, the regulators made the Financial Stability Law (Draft) for public comments, intended to improve the efficient and authoritative, coordinated and powerful financial stabilization mechanism, and specify the duties of relevant parties, so as to provide solid institutional safeguards for resolutely guarding the bottom line of no occurrence of systematic financial risks and to further build a solid financial security net. Overall, the distressed asset management industry, with further expanded scope of the main business and further improved quality of development, will play a more important role in preventing and defusing financial risks, promoting the transformation and upgrading of the economic structure, and smoothing the economic and financial cycle.

5.2 Analysis of Financial Statements

5.2.1 Operating Results of the Group

In 2022, the net profit attributable to equity holders of the Company amounted to RMB6,313.4 million, representing a decrease of RMB5,748.3 million, or 47.7% year-on-year. The ROE and ROA were 3.38% and 0.45%, respectively.

5. Management Discussion and Analysis

	For the year ended December 31,			
	2022	2021	Change	Change in percentage
	(in millions of RMB)			(%)
Income from distressed debt assets at amortized cost	10,070.7	13,466.6	(3,395.9)	(25.2)
Fair value changes on distressed debt assets	11,284.3	15,475.8	(4,191.5)	(27.1)
Fair value changes on other financial instruments	5,410.4	14,674.8	(9,264.4)	(63.1)
Investment income	216.8	156.8	60.0	38.3
Interest income	27,394.9	25,100.8	2,294.1	9.1
Revenue from sales of inventories	16,068.3	20,385.5	(4,317.2)	(21.2)
Commission and fee income	5,110.2	5,291.3	(181.1)	(3.4)
Net gains on disposal of subsidiaries, associates and joint ventures	1,058.8	304.0	754.8	248.3
Other income and other net gains or losses	4,374.1	2,875.4	1,498.7	52.1
Total income	80,988.4	97,731.0	(16,742.6)	(17.1)
Commission and fee expense	(624.6)	(688.7)	64.1	(9.3)
Purchases and changes in inventories	(12,859.5)	(16,906.4)	4,046.9	(23.9)
Employee benefits	(6,122.3)	(6,398.3)	276.0	(4.3)
Impairment losses on assets	(13,258.0)	(11,722.9)	(1,535.1)	13.1
Interest expense	(40,081.1)	(41,936.9)	1,855.8	(4.4)
Other expenses	(6,521.2)	(6,495.3)	(25.9)	0.4
Total costs and expenses	(79,466.6)	(84,148.5)	4,681.9	(5.6)
Change in net assets attributable to other holders of consolidated structured entities	(47.5)	(20.1)	(27.4)	136.3
Share of results of associates and joint ventures	8,983.3	5,816.5	3,166.8	54.4
Profit before tax	10,457.6	19,378.9	(8,921.3)	(46.0)
Income tax expense	(3,226.3)	(6,378.4)	3,152.1	(49.4)
Profit for the year	7,231.3	13,000.5	(5,769.2)	(44.4)
Profit attributable to:				
– Equity holders of the Company	6,313.4	12,061.7	(5,748.3)	(47.7)
– Non-controlling interests	917.9	938.7	(20.8)	(2.2)

5. Management Discussion and Analysis

5.2.1.1 Total Income

In 2022, the total income of the Group decreased by 17.1% from RMB97,731.0 million in 2021 to RMB80,988.4 million in 2022.

Income from Distressed Debt Assets at Amortized Cost

The income from distressed debt assets at amortized cost of the Group, including the interest income and gains or losses from disposal of restructured distressed debt assets, decreased by 25.2% from RMB13,466.6 million in 2021 to RMB10,070.7 million in 2022, which accounted for 13.8% and 12.4% of the total income in the corresponding years, respectively, mainly due to the decrease in the balance of restructured distressed debt assets of the Company.

Fair Value Changes on Distressed Debt Assets

The fair value changes on distressed debt assets of the Group decreased by 27.1% from RMB15,475.8 million in 2021 to RMB11,284.3 million in 2022. The fair value changes on distressed debt assets at fair value through profit or loss decreased by 26.0% from RMB13,398.1 million in 2021 to RMB9,911.0 million in 2022, accounting for 13.7% and 12.2% of the total income in the corresponding years, respectively.

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

	For the year ended December 31,			
	2022	2021	Change	Change in percentage
	(in millions of RMB)			(%)
Realized fair value changes	8,227.2	12,280.1	(4,052.9)	(33.0)
Unrealized fair value changes	1,683.8	1,118.0	565.8	50.6
Subtotal	9,911.0	13,398.1	(3,487.1)	(26.0)

5. Management Discussion and Analysis

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

	For the year ended December 31, (in millions of RMB)
As at December 31, 2020	198,746.2
Acquisition in the year	52,333.4
Disposal in the year	(48,458.1)
Unrealized fair value changes	1,118.0
As at December 31, 2021	203,739.5
Acquisition in the year	67,253.6
Disposal in the year	(39,239.7)
Unrealized fair value changes	1,683.8
As at December 31, 2022	233,437.2

In 2022, the fair value changes on distressed debt assets at fair value through profit or loss of the Group decreased by 26.0% over 2021. In particular, impacted by the decrease in the scale of disposal of distressed debt assets, the realized fair value changes decreased by 33.0% from RMB12,280.1 million in 2021 to RMB8,227.2 million in 2022; the unrealized fair value changes increased by 50.6% from RMB1,118.0 million in 2021 to RMB1,683.8 million in 2022.

In 2022, the distressed debt assets at fair value through profit or loss of the Group recorded improvement in acquisition as compared with last year, increased from RMB52,333.4 million in 2021 to RMB67,253.6 million in 2022, by focusing on the distressed asset market, consolidating the dominant position of core business and increasing business investments in acquisition-operation distressed debt assets.

Fair Value Changes on Other Financial Instruments

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

The fair value changes on other financial instruments of the Group decreased by 63.1% from RMB14,674.8 million in 2021 to RMB5,410.4 million in 2022, accounting for 15.0% and 6.7% of the total income in the corresponding years, respectively. Of which, the fair value changes on DES Assets were RMB8,299.0 million and RMB1,118.9 million, respectively, accounting for 8.5% and 1.4% of the total income in the corresponding years, respectively.

5. Management Discussion and Analysis

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

	For the year ended December 31,			
	2022	2021	Change	Change in percentage
	(in millions of RMB)			(%)
Fair value changes⁽¹⁾	(4,038.6)	2,952.2	(6,990.8)	(236.8)
DES Assets of the Company	(75.5)	7,847.3	(7,922.8)	(101.0)
Others	(3,963.1)	(4,895.1)	932.0	19.0
Interest income	3,258.7	3,920.4	(661.7)	(16.9)
Dividend income	6,190.3	7,802.2	(1,611.9)	(20.7)
DES Assets of the Company	1,194.4	451.7	742.7	164.4
Others	4,995.9	7,350.5	(2,354.6)	(32.0)
Total	5,410.4	14,674.8	(9,264.4)	(63.1)

Note:

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

The fair value changes on DES Assets at fair value through profit or loss changed 101.0% from the gains of RMB7,847.3 million in 2021 to the losses of RMB75.5 million in 2022, mainly due to the decrease in the valuation of certain DES Assets of the Company as influenced by the capital market fluctuation.

The fair value changes on other financial instruments except for DES Assets at fair value through profit or loss decreased by 19.0% from the losses of RMB4,895.1 million in 2021 to the losses of RMB3,963.1 million in 2022.

Investment Income

In 2022, the investment income of the Group was RMB216.8 million, representing an increase of 38.3% from RMB156.8 million in 2021.

5. Management Discussion and Analysis

Interest Income

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

	For the year ended December 31,			
	2022	2021	Change	Change in percentage
	(in millions of RMB)			(%)
Loans and advances to customers	18,137.0	16,634.1	1,502.9	9.0
Other debt investments at amortized cost	3,394.9	2,638.9	756.0	28.6
Financial assets at fair value through other comprehensive income	2,727.0	2,265.9	461.1	20.3
Deposits with banks and financial institutions	1,962.9	1,378.6	584.3	42.4
Financial assets held under resale agreements	572.1	1,785.6	(1,213.5)	(68.0)
Placements with banks and financial institutions	476.6	245.7	230.9	94.0
Others	124.5	152.0	(27.5)	(18.1)
Total	27,394.9	25,100.8	2,294.1	9.1

The Group's interest income increased by 9.1% year-on-year in 2022, mainly due to the increase in interest income from loans and advances to customers and other debt investments at amortized cost, partially offset by the decrease in interest income from financial assets held under resale agreements.

- (1) The interest income from loans and advances to customers increased by 9.0% from RMB16,634.1 million in 2021 to RMB18,137.0 million in 2022, mainly due to the increase in loans and advances as well as finance lease receivables of the subsidiaries.
- (2) Interest income from other debt investments at amortized cost increased by 28.6% from RMB2,638.9 million in 2021 to RMB3,394.9 million in 2022, mainly due to the year-on-year increase in the average scale and interest rates of other debt instruments held by the Group.
- (3) The interest income from financial assets held under resale agreements decreased by 68.0% from RMB1,785.6 million in 2021 to RMB572.1 million in 2022, mainly due to the decrease in the financial assets held under resale agreements of the Company.

5. Management Discussion and Analysis

Commission and Fee Income

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

	For the year ended December 31,			
	2022	2021	Change	Change in percentage
	(in millions of RMB)			(%)
Fund and asset management business	1,622.8	1,237.6	385.2	31.1
Securities and futures brokerage	1,228.7	1,406.4	(177.7)	(12.6)
Banking business	800.5	992.0	(191.5)	(19.3)
Agency business	505.6	606.8	(101.2)	(16.7)
Trustee services	498.4	483.8	14.6	3.0
Consultancy and financial advisory services	228.8	229.8	(1.0)	(0.4)
Securities underwriting	75.2	182.8	(107.6)	(58.9)
Others	150.2	152.1	(1.9)	(1.2)
Total	5,110.2	5,291.3	(181.1)	(3.4)

The commission and fee income of the Group decreased by 3.4% from RMB5,291.3 million in 2021 to RMB5,110.2 million in 2022, mainly because the decrease in the commission and fee income from banking business, securities and futures brokerage, partially offset by the increase in the commission and fee income from fund and asset management business.

- (1) Commission and fee income from banking business decreased by 19.3% from RMB992.0 million in 2021 to RMB800.5 million in 2022, mainly due to the decrease in the fee income from credit facilities of NCB.
- (2) Commission and fee income from securities and futures brokerage decreased by 12.6% from RMB1,406.4 million in 2021 to RMB1,228.7 million in 2022, mainly due to the decrease in the trading volume of securities trading agency service business of Cinda Securities as affected by the market fluctuation.
- (3) Commission and fee income from fund and asset management business increased by 31.1% from RMB1,237.6 million in 2021 to RMB1,622.8 million in 2022, mainly due to the increase in the scale of funds managed by subsidiaries.

5. Management Discussion and Analysis

Revenue from Sales of Inventories and Purchases and Changes in Inventories

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

	For the year ended December 31,			
	2022	2021	Change	Change in percentage
	(in millions of RMB)			(%)
Revenue from sales of inventories	16,068.3	20,385.5	(4,317.2)	(21.2)
Purchases and changes in inventories	(12,859.5)	(16,906.4)	4,046.9	(23.9)
including:				
Revenue from sales of properties held for sale	16,068.3	20,370.8	(4,302.5)	(21.1)
Purchases and changes in properties held for sale	(12,859.5)	(16,906.4)	4,046.9	(23.9)
Gross profit from sales of properties held for sale	3,208.8	3,464.4	(255.6)	(7.4)
Gross profit margin from sales of properties held for sale (%)	20.0	17.0	3.0	17.4

The revenue from sales of inventories of the Group decreased by 21.2% from RMB20,385.5 million in 2021 to RMB16,068.3 million in 2022, the purchases and changes in inventories decreased by 23.9% from RMB16,906.4 million in 2021 to RMB12,859.5 million in 2022, mainly due to the decrease in the project delivery scale of Cinda Real Estate in 2022 compared with last year, resulting in decline of realized revenue from sales of properties held for sale and purchases and changes in properties held for sale. The gross profit margin from sales of properties held for sale increased from 17.0% in 2021 to 20.0% in 2022.

Net Gains on Disposal of Subsidiaries, Associates and Joint Ventures

The net gains on disposal of subsidiaries, associates and joint ventures of the Group increased by 248.3% from RMB304.0 million in 2021 to RMB1,058.8 million in 2022, which was mainly due to the significant increase in the gains from the disposal of associates by the Company.

5. Management Discussion and Analysis

Other Income and Other Net Gains or Losses

Other income and other net gains or losses of the Group increased by 52.1% from RMB2,875.4 million in 2021 to RMB4,374.1 million in 2022, mainly due to a change of 511.7% from a loss of RMB485.4 million for net gains or losses on exchange differences in 2021 to a gain of RMB1,998.4 million in 2022 as a result of the exchange rate fluctuations of the USD and HKD.

5.2.1.2 Total Costs and Expenses

In 2022, the total costs and expenses of the Group decreased slightly over the previous year.

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

	For the year ended December 31,			
	2022	2021	Change	Change in percentage
	(in millions of RMB)			(%)
Interest expense	(40,081.1)	(41,936.9)	1,855.8	(4.4)
Purchases and changes in inventories	(12,859.5)	(16,906.4)	4,046.9	(23.9)
Impairment losses on assets	(13,258.0)	(11,722.9)	(1,535.1)	13.1
Employee benefits	(6,122.3)	(6,398.3)	276.0	(4.3)
Depreciation and amortization expenses	(2,078.1)	(2,016.3)	(61.8)	3.1
Commission and fee expense	(624.6)	(688.7)	64.1	(9.3)
Taxes and surcharges	(571.1)	(612.7)	41.6	(6.8)
Other expenses	(3,872.0)	(3,866.2)	(5.8)	0.2
Total	(79,466.6)	(84,148.5)	4,681.9	(5.6)

The Group's total costs and expenses decreased by 5.6% from RMB84,148.5 million in 2021 to RMB79,466.6 million in 2022, mainly due to the decrease in cost of inventories sold and interest expense, which was partially offset by the increase in impairment losses on assets.

5. Management Discussion and Analysis

Interest Expense

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

	For the year ended December 31,			
	2022	2021	Change	Change in percentage
	(in millions of RMB)			(%)
Borrowings	(22,504.7)	(24,024.8)	1,520.1	(6.3)
Bonds issued	(11,851.7)	(14,039.4)	2,187.7	(15.6)
Due to customers	(4,377.2)	(3,158.3)	(1,218.9)	38.6
Financial assets sold under repurchase agreements	(605.8)	(233.2)	(372.6)	159.8
Placements from banks and financial institutions	(323.1)	(127.0)	(196.1)	154.4
Deposits from banks and financial institutions	(219.9)	(175.0)	(44.9)	25.7
Accounts payable to brokerage clients	(102.0)	(68.2)	(33.8)	49.6
Lease liabilities	(55.9)	(48.9)	(7.0)	14.3
Others	(40.8)	(62.2)	21.4	(34.4)
Total	(40,081.1)	(41,936.9)	1,855.8	(4.4)

In 2022, the interest expense of the Group was RMB40,081.1 million, representing a decrease of 4.4% from RMB41,936.9 million in 2021, of which:

- (1) Interest expense on borrowings decreased by 6.3% from RMB24,024.8 million in 2021 to RMB22,504.7 million in 2022, mainly due to the decrease in the market financing cost.
- (2) Interest expense on bonds issued decreased by 15.6% from RMB14,039.4 million in 2021 to RMB11,851.7 million in 2022, mainly due to the decrease in both the size and interest rates of bonds issued.
- (3) Interest expense on due to customers increased by 38.6% from RMB3,158.3 million in 2021 to RMB4,377.2 million in 2022, mainly due to the increase in NCB Hong Kong's interest expense on USD deposits as a result of USD interest rate hikes.

5. Management Discussion and Analysis

Impairment Losses on Assets

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

	For the year ended December 31,			
	2022	2021	Change	Change in percentage
	(in millions of RMB)			(%)
Financial assets at amortized cost				
– Distressed debt assets	(6,498.3)	(4,334.3)	(2,164.0)	49.9
– Other debt investments	(1,493.4)	(640.8)	(852.6)	133.1
Loans and advances to customers	(3,270.1)	(3,933.5)	663.4	(16.9)
Interests in associates and joint ventures	(1,257.1)	(380.1)	(877.0)	230.7
Properties held for sale	(388.9)	(1,398.9)	1,010.0	(72.2)
Assets in satisfaction of debts	(222.5)	(182.8)	(39.7)	21.7
Interest receivable	(190.7)	22.8	(213.5)	936.4
Accounts receivable	(171.7)	(96.1)	(75.6)	78.7
Financial assets at fair value through other comprehensive income	(123.9)	(129.9)	6.0	(4.6)
Property and equipment	(9.2)	(73.4)	64.2	(87.5)
Financial assets held under resale agreements	47.0	49.1	(2.1)	(4.3)
Other assets	320.9	(625.0)	945.9	(151.3)
Total	(13,258.0)	(11,722.9)	(1,535.1)	13.1

The impairment losses on assets of the Group increased by 13.1% from RMB11,722.9 million in 2021 to RMB13,258.0 million in 2022, mainly due to the increase in impairment losses on distressed debt assets at amortized cost, partly offset by the decrease in impairment losses on properties held for sale.

- (1) The impairment losses on distressed debt assets at amortized cost increased by 49.9% from RMB4,334.3 million in 2021 to RMB6,498.3 million in 2022, mainly due to the increase in impairment losses on distressed debt assets at amortized cost with the pressure on the asset quality as influenced by the macroeconomic situation and changes in the market environment.
- (2) The impairment losses on properties held for sale decreased by 72.2% from RMB1,398.9 million in 2021 to RMB388.9 million in 2022, mainly due to the decrease in impairment losses on certain property development projects of Cinda Real Estate.

5. Management Discussion and Analysis

5.2.1.3 Income Tax Expense

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

	For the year ended December 31,			
	2022	2021	Change	Change in percentage
	(in millions of RMB)			
				(%)
Profit before tax	10,457.6	19,378.9	(8,921.3)	(46.0)
Income tax expense	(3,226.3)	(6,378.4)	3,152.1	(49.4)
Effective tax rates (%)	30.9	32.9	(2.0)	(6.0)

The income tax expense of the Group decreased by 49.4% from RMB6,378.4 million in 2021 to RMB3,226.3 million in 2022. In 2021 and 2022, the effective tax rates of the Group were 32.9% and 30.9% respectively, basically maintaining stable.

5.2.1.4 Segment Results of Operations

The Group has two business segments:

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

5. Management Discussion and Analysis

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

	For the year ended December 31,							
	2022	2021	2022	2021	2022	2021	2022	2021
	Distressed asset management		Financial services		Elimination		Consolidation	
(in millions of RMB)								
Total income	57,089.4	77,090.4	24,366.5	20,994.9	(467.5)	(354.3)	80,988.4	97,731.0
Percentage of total (%)	70.5	78.9	30.1	21.5				
Total costs and expenses	(61,730.8)	(68,664.1)	(18,274.4)	(15,953.2)	538.6	468.8	(79,466.6)	(84,148.5)
Profit before tax	4,289.7	14,193.8	6,096.7	5,070.6	71.2	114.5	10,457.6	19,378.9
Percentage of total (%)	41.0	73.2	58.3	26.2				
Profit margin before tax (%)	7.5	18.4	25.0	24.2			12.9	19.8
Return on average net assets before tax (%)	3.5	11.9	7.7	6.6			5.1	9.8

	As at December 31,							
	2022	2021	2022	2021	2022	2021	2022	2021
	Distressed asset management		Financial services		Elimination and unallocated part ⁽¹⁾		Consolidation	
(in millions of RMB)								
Total assets	991,887.8	997,493.4	633,542.5	577,358.0	(9,441.4)	(10,572.1)	1,615,989.0	1,564,279.3
Percentage of total (%)	61.4	63.8	39.2	36.9				
Net assets	121,918.7	122,017.9	80,615.5	77,668.3	5,460.8	2,089.4	207,995.1	201,775.5
Percentage of total (%)	58.6	60.5	38.8	38.5				

Note:

(1) Represents primarily income tax payable and deferred tax assets and liabilities that were not allocated to each business segment.

5. Management Discussion and Analysis

Distressed asset management is the Group's core business and principal income contributor. In 2021 and 2022, the income generated from distressed asset management accounted for 78.9% and 70.5% of the total income, respectively, and the profit before tax generated from distressed asset management accounted for 73.2% and 41.0% of the total profit before tax, respectively. As at December 31, 2021 and 2022, the total assets of distressed asset management accounted for 63.8% and 61.4% of the total assets and the net assets of distressed asset management accounted for 60.5% and 58.6% of the net assets, respectively. In 2021 and 2022, the profit margin before tax of this segment was 18.4% and 7.5%, respectively, and return on average net asset before tax was 11.9% and 3.5%, respectively.

As a key component of the business of the Group and an important cross-selling driver, the financial services business benefited from the Group's synergistic operations and management strategies. As at the end of 2022, the total assets and net assets of the financial services segment increased as compared with those at the end of 2021, and the income and profit before tax also increased year on year, accounting for 21.5% and 30.1% of the total income and 26.2% and 58.3% of the profit before tax of the Group in 2021 and 2022 respectively.

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

5.2.2 Summary of Financial Position of the Group

In 2022, the Group's assets and liabilities achieved steady growth as compared with the end of the previous year. As at December 31, 2021 and 2022, the total assets of the Group amounted to RMB1,564,279.3 million and RMB1,615,989.0 million, respectively, representing an increase of 3.3%; total liabilities amounted to RMB1,362,503.8 million and RMB1,407,993.9 million, respectively, representing an increase of 3.3%; total equity amounted to RMB201,775.5 million and RMB207,995.1 million, respectively, representing an increase of 3.1%.

5. Management Discussion and Analysis

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

	As at December 31,			
	2022		2021	
	Amount	% of total	Amount	% of total
	(in millions of RMB)			
Assets				
Cash and balances with central banks	16,677.4	1.0	18,045.7	1.2
Deposits with banks and financial institutions	97,830.1	6.1	99,921.3	6.4
Financial assets at fair value through profit or loss	503,495.9	31.2	456,203.8	29.2
Financial assets at fair value through other comprehensive income	130,487.7	8.1	122,592.3	7.8
Loans and advances to customers	396,530.0	24.5	368,031.4	23.5
Financial assets at amortized cost	169,994.3	10.5	183,535.0	11.7
Other assets	300,973.6	18.6	315,949.8	20.2
Total assets	1,615,989.0	100.0	1,564,279.3	100.0
Liabilities				
Borrowings from the central bank	986.1	0.1	996.0	0.1
Accounts payable to brokerage clients	19,107.2	1.4	17,605.6	1.3
Due to customers	323,040.5	22.9	298,748.1	21.9
Borrowings	615,357.9	43.7	555,079.1	40.7
Accounts payable	4,946.9	0.4	5,389.5	0.4
Bonds issued	292,882.8	20.8	367,806.7	27.0
Other liabilities	151,672.5	10.8	116,878.8	8.6
Total liabilities	1,407,993.9	100.0	1,362,503.8	100.0
Equity				
Equity attributable to equity holders of the Company	188,205.7	90.5	178,800.8	88.6
Non-controlling interests	19,789.4	9.5	22,974.7	11.4
Total equity	207,995.1	100.0	201,775.5	100.0
Total equity and liabilities	1,615,989.0		1,564,279.3	

5. Management Discussion and Analysis

5.2.2.1 Assets

Monetary Capital

Monetary capital primarily consists of cash, principal deposits, balances with central banks, clearing settlement funds and deposits with banks and other financial institutions that Cinda Securities holds on behalf of its customers in the securities brokerage business. As at December 31, 2021 and 2022, monetary capital amounted to RMB117,967.0 million and RMB114,507.5 million, respectively, representing a decrease of 2.9%.

Financial Assets at Fair Value through Profit or Loss

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

	As at December 31,			
	2022	2021	Change	Change in percentage
	(in millions of RMB)			
				(%)
Financial assets classified as at fair value through profit or loss				
Listed investments				
Debt securities	22,670.0	18,539.5	4,130.5	22.3
Equity investments	16,777.5	19,169.3	(2,391.8)	(12.5)
Funds	3,098.5	5,693.8	(2,595.3)	(45.6)
Certificates of deposit	–	1,268.9	(1,268.9)	(100.0)
Corporate convertible bonds	809.7	343.9	465.8	135.4
Unlisted investments				
Distressed debt assets	233,437.2	203,739.5	29,697.7	14.6
Funds	116,332.9	93,315.4	23,017.5	24.7
Equity investments	53,448.6	51,174.9	2,273.7	4.4
Trust products and asset management plans	26,097.5	26,176.6	(79.1)	(0.3)
Debt instruments	16,264.3	22,393.1	(6,128.8)	(27.4)
Securities investments	10,517.5	11,433.8	(916.3)	(8.0)
Derivative financial assets	1,887.9	1,087.4	800.5	73.6
Wealth management products	1,776.8	1,531.9	244.9	16.0
Others	377.5	335.8	41.7	12.4
Total	503,495.9	456,203.8	47,292.1	10.4

As at December 31, 2021 and 2022, financial assets at fair value through profit or loss were RMB456,203.8 million and RMB503,495.9 million, respectively, among which, distressed debt assets and unlisted funds investments increased while debt instruments decreased.

- (1) As at December 31, 2021 and 2022, distressed debt assets were RMB203,739.5 million and RMB233,437.2 million, respectively, representing an increase of 14.6%. In 2022, the Company continued to focus on the distressed asset market, consolidate the advantages of its main business, and increase its investment in the acquisition-operation distressed debt assets, with an increase in asset balances compared to the previous year.
- (2) As at December 31, 2021 and 2022, unlisted funds investments were RMB93,315.4 million and RMB116,332.9 million, respectively, representing an increase of 24.7%. This is mainly due to the increase in the balance of unlisted funds of the Company.
- (3) As at December 31, 2021 and 2022, debt instruments were RMB22,393.1 million and RMB16,264.3 million, respectively, representing a decrease of 27.4%.

5. Management Discussion and Analysis

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

	As at December 31,			
	2022	2021	Change	Change in percentage
	(in millions of RMB)			(%)
The Group				
Listed	16,777.5	19,169.3	(2,391.8)	(12.5)
Unlisted	53,448.6	51,174.9	2,273.7	4.4
Total	70,226.1	70,344.2	(118.1)	(0.2)
The Company				
Listed	8,596.1	11,877.4	(3,281.3)	(27.6)
Unlisted	23,302.4	23,445.6	(143.2)	(0.6)
Subtotal	31,898.5	35,323.0	(3,424.5)	(9.7)
of which:				
DES Assets	30,253.3	33,204.6	(2,951.3)	(8.9)
Others	1,645.2	2,118.4	(473.2)	(22.3)
Subtotal	31,898.5	35,323.0	(3,424.5)	(9.7)

5. Management Discussion and Analysis

Financial Assets at Fair Value through Other Comprehensive Income

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

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

	As at December 31,			
	2022	2021	Change	Change in percentage
	(in millions of RMB)			
				(%)
Debt securities	123,818.5	112,987.4	10,831.1	9.6
Equity instruments	5,553.4	8,710.9	(3,157.5)	(36.2)
Interest receivable	1,115.8	894.1	221.7	24.8
Total	130,487.7	122,592.3	7,895.4	6.4

As at December 31, 2021 and 2022, financial assets at fair value through other comprehensive income were RMB122,592.3 million and RMB130,487.7 million, respectively, increasing by 6.4%, mainly due to the increase in the balance of debt securities at fair value through other comprehensive income held by subsidiaries.

5. Management Discussion and Analysis

Loans and Advances to Customers

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

	As at December 31,			
	2022	2021	Change	Change in percentage
	(in millions of RMB)			
By business type				
Corporate and personal loans and advances	324,484.2	304,972.1	19,512.1	6.4
Loans to margin clients	9,545.6	11,361.5	(1,815.9)	(16.0)
Finance lease receivables	72,774.8	61,295.6	11,479.2	18.7
Total	406,804.6	377,629.2	29,175.4	7.7
By security type				
Mortgaged	86,295.7	55,922.2	30,373.5	54.3
Pledged	84,464.8	129,809.6	(45,344.8)	(34.9)
Guaranteed	74,084.5	55,084.1	19,000.4	34.5
Unsecured	161,959.6	136,813.3	25,146.3	18.4
Total	406,804.6	377,629.2	29,175.4	7.7
Allowances for impairment losses	(10,274.6)	(9,597.8)	(676.8)	7.1
Net balance	396,530.0	368,031.4	28,498.6	7.7

5. Management Discussion and Analysis

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

	As at December 31,			
	2022	2021	Change	Change in percentage
	(in millions of RMB)			
				(%)
Corporate loans and advances				
Loans and advances	274,217.1	252,940.4	21,276.7	8.4
Discounted bills	192.3	355.2	(162.9)	(45.9)
Subtotal	274,409.4	253,295.6	21,113.8	8.3
Personal loans and advances				
Mortgages	27,249.7	29,589.1	(2,339.4)	(7.9)
Personal consumption loans	22,825.1	22,087.4	737.7	3.3
Subtotal	50,074.8	51,676.5	(1,601.7)	(3.1)
Total	324,484.2	304,972.1	19,512.1	6.4

Financial Assets at Amortized Cost

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

5. Management Discussion and Analysis

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

	As at December 31,			
	2022	2021	Change	Change in percentage
	(in millions of RMB)			
				(%)
Distressed debt assets				
Acquired from financial institutions	4,516.8	6,336.0	(1,819.2)	(28.7)
Acquired from non-financial institutions	103,471.9	138,207.0	(34,735.1)	(25.1)
Subtotal	107,988.7	144,543.0	(36,554.3)	(25.3)
Interest accrued	5,053.1	4,389.6	663.5	15.1
Allowances for impairment losses	(13,230.4)	(14,459.9)	1,229.5	(8.5)
Net balance	99,811.4	134,472.7	(34,661.3)	(25.8)
Other debt investments	69,922.8	50,052.2	19,870.6	39.7
Interest accrued	3,247.2	900.1	2,347.1	260.8
Allowances for impairment losses	(2,987.1)	(1,889.9)	(1,097.2)	58.1
Net balance	70,182.9	49,062.3	21,120.6	43.0
Total	169,994.3	183,535.0	(13,540.7)	(7.4)

As at December 31, 2022, the total balances of distressed debt assets at amortized cost were RMB107,988.7 million, all of which were the Group's restructured distressed debt assets, decreasing by 25.3% from RMB144,543.0 million as at December 31, 2021, mainly due to the decrease in restructured distressed debt assets caused by the Company's continuous prudent and effective investments and enhanced efforts in disposal turnover.

As at December 31, 2022, the total balances of other debt investments at amortized cost were RMB69,922.8 million, increasing by 39.7% from RMB50,052.2 million as at December 31, 2021, mainly due to the increase in debt securities investment at amortized cost held by subsidiaries.

5. Management Discussion and Analysis

5.2.2.2 Liabilities

Liabilities of the Group mainly consist of borrowings, bonds issued and due to customers, accounting for 43.7%, 20.8% and 22.9% of the total liabilities of the Group as at December 31, 2022, respectively.

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

	As at December 31,			
	2022		2021	
	Amount	% of total	Amount	% of total
	(in millions of RMB)			
Borrowings	615,357.9	46.4	555,079.1	43.0
Bonds issued	292,882.8	22.1	367,806.7	28.5
Due to customers	323,040.5	24.3	298,748.1	23.1
Accounts payable to brokerage clients	19,107.2	1.4	17,605.6	1.4
Financial assets sold under repurchase agreements	43,425.6	3.3	15,095.8	1.2
Deposits from banks and financial institutions	12,848.8	1.0	19,976.9	1.5
Placements from banks and other financial institutions	20,478.1	1.5	16,277.7	1.3
Total	1,327,140.9	100.0	1,290,589.9	100.0

Borrowings

As at December 31, 2022, the balance of borrowings of the Group amounted to RMB615,357.9 million, increasing by 10.9% from RMB555,079.1 million as at December 31, 2021.

5. Management Discussion and Analysis

Bonds Issued

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

	As at December 31,	
	2022	2021
	(in millions of RMB)	
Financial bonds	120,294.6	114,468.6
USD guaranteed senior notes	89,970.4	86,208.0
Corporate bonds	24,481.7	19,671.9
Asset-backed securities	24,134.3	111,573.4
Mid-term notes	9,515.8	7,072.2
Certificates of deposit	9,341.3	5,000.7
Tier-2 capital bonds	8,025.1	8,022.9
Subordinated notes	4,873.0	4,457.0
Debt financing plans	902.0	2,603.9
Beneficiary certificates	730.9	5,286.9
Private placement notes	604.8	–
HKD bonds	9.0	8.3
Subordinated bonds	–	2,681.5
Asset-backed notes	–	751.4
Total	292,882.8	367,806.7

As at December 31, 2021 and 2022, the balance of the Group's bonds issued amounted to RMB367,806.7 million and RMB292,882.8 million, respectively.

Due to Customers

As at December 31, 2021 and 2022, the balance of due to customers of the Group amounted to RMB298,748.1 million and RMB323,040.5 million, respectively. The increase in due to customers of the Group mainly came from NCB, with the increase in corporate demand deposits and personal time deposits, partially offset by the decrease in corporate time deposits.

5. Management Discussion and Analysis

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

	As at December 31,			
	2022	2021	Change	Change in percentage
	(in millions of RMB)			
				(%)
Demand deposits	101,913.4	99,877.2	2,036.2	2.0
Corporate	60,498.7	50,122.6	10,376.1	20.7
Personal	41,414.7	49,754.6	(8,339.9)	(16.8)
Time deposits	205,309.1	185,639.8	19,669.3	10.6
Corporate	101,259.8	111,651.3	(10,391.5)	(9.3)
Personal	104,049.3	73,988.5	30,060.8	40.6
Guarantee deposits	13,889.9	12,078.9	1,811.0	15.0
Interest payable	1,928.2	1,152.3	775.9	67.3
Total	323,040.5	298,748.1	24,292.4	8.1

5.2.3 Contingent Liabilities

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

As at December 31, 2021 and 2022, the claim amounts of pending litigation of which the Group was defendant were RMB3,746.9 million and RMB2,178.0 million, respectively, and provisions of RMB3.1 million for the Group were made based on court judgments or the advice of legal counsel. The Company believes that the final result of these lawsuits will not have material impacts on the financial position or operating results of the Group and the Company.

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

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

5. Management Discussion and Analysis

5.3 Business Overview

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

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

	For the year ended December 31,			
	2022		2021	
	Total income	% of total	Total income	% of total
	(in millions of RMB)			
Distressed asset management	57,089.4	70.5	77,090.4	78.9
Financial services	24,366.5	30.1	20,994.9	21.5
Elimination	(467.5)	(0.7)	(354.3)	(0.4)
Total	80,988.4	100.0	97,731.0	100.0

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

	For the year ended December 31,			
	2022		2021	
	Profit before tax	% of total	Profit before tax	% of total
	(in millions of RMB)			
Distressed asset management	4,289.7	41.0	14,193.8	73.2
Financial services	6,096.7	58.3	5,070.6	26.2
Elimination	71.2	0.7	114.5	0.6
Total	10,457.6	100.0	19,378.9	100.0

5. Management Discussion and Analysis

5.3.1 Distressed asset management

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

Distressed asset management is the core business and the primary source of income and profit of the Group. In 2021 and 2022, the income from the distressed asset management business accounted for 78.9% and 70.5% of the total income of the Group, respectively, and the profit before tax from the distressed asset management business accounted for 73.2% and 41.0% of the profit before tax of the Group, respectively.

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

	As at and for the year ended December 31,	
	2022	2021
(in millions of RMB)		
Distressed debt assets		
Net balance of distressed debt assets ⁽¹⁾	341,255.4	340,200.6
Acquisition cost of distressed debt assets	88,052.8	89,617.3
Income from distressed debt assets ⁽²⁾	20,045.0	27,013.0
DES Assets		
Book value of DES Assets	97,004.3	93,378.9
Gains on fair value changes ⁽³⁾	1,118.9	8,299.0
Gains realized with other approaches ⁽⁴⁾	8,653.3	3,673.8
Other distressed assets		
Book value of other distressed assets ⁽⁵⁾	186,702.8	162,284.3
Income from other distressed assets ⁽⁶⁾	6,450.4	7,279.6

Note:

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

5. Management Discussion and Analysis

5.3.1.1 Source of Acquisition of Distressed Debt Assets

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

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

	As at and for the year ended December 31,			
	2022		2021	
	Amount	% of total	Amount	% of total
	(in millions of RMB)			
Net balance of distressed debt assets⁽¹⁾				
FI Distressed Assets	204,966.7	60.1	185,880.4	54.6
NFI Distressed Assets	136,288.7	39.9	154,320.2	45.4
Total	341,255.4	100.0	340,200.6	100.0
Acquisition cost of distressed debt assets⁽²⁾				
FI Distressed Assets	55,682.2	63.2	48,564.1	54.2
NFI Distressed Assets	32,370.6	36.8	41,053.2	45.8
Total	88,052.8	100.0	89,617.3	100.0
Income from distressed debt assets⁽³⁾				
FI Distressed Assets	9,171.4	45.8	13,222.9	49.0
NFI Distressed Assets	10,873.6	54.2	13,790.1	51.0
Total	20,045.0	100.0	27,013.0	100.0

Note:

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

5. Management Discussion and Analysis

FI Distressed Assets

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

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

	For the year ended December 31,			
	2022		2021	
	Amount	% of total	Amount	% of total
	(in millions of RMB)			
Large commercial banks	7,961.0	14.3	12,063.4	24.8
Joint-stock commercial banks	18,108.6	32.5	14,427.9	29.7
City and rural commercial banks	10,593.6	19.0	8,792.9	18.1
Other banks ⁽¹⁾	5,086.4	9.1	2,258.7	4.7
Non-banking financial institutions ⁽²⁾	13,932.6	25.1	11,021.2	22.7
Total	55,682.2	100.0	48,564.1	100.0

Note:

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

NFI Distressed Assets

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

5. Management Discussion and Analysis

5.3.1.2 Business Model of Distressed Debt Assets

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

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

	As at and for the year ended December 31,			
	2022		2021	
	Amount	% of total	Amount	% of total
	(in millions of RMB)			
Net balance of distressed debt assets				
Acquisition-operation Distressed Assets ⁽¹⁾	241,034.2	70.6	205,666.8	60.5
Restructured Distressed Assets ⁽²⁾	100,221.2	29.4	134,533.8	39.5
Total	341,255.4	100.0	340,200.6	100.0
Acquisition cost of distressed debt assets				
Acquisition-operation Distressed Assets	74,157.9	84.2	52,687.2	58.8
Restructured Distressed Assets	13,894.9	15.8	36,930.1	41.2
Total	88,052.8	100.0	89,617.3	100.0
Income from distressed debt assets				
Acquisition-operation Distressed Assets ⁽³⁾	9,974.3	49.8	13,544.0	50.1
Restructured Distressed Assets ⁽⁴⁾	10,070.7	50.2	13,469.0	49.9
Total	20,045.0	100.0	27,013.0	100.0

Note:

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

5. Management Discussion and Analysis

Acquisition-operation Distressed Assets

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

In 2022, the Company actively adopted effective measures to cope with the new situation in the distressed asset market and continued to promote high quality development of acquisition-operation business. In terms of asset acquisition, the Company, adhering to the “headquarter-to-headquarter” strategy, stuck to its main focus on distressed assets from banks, in order to maintain the dominant position of the core business. The Company actively expanded acquisition sources and expanded new acquisition channels such as trusts, default bonds, and judicial auction assets, so as to strengthen effective investment. In terms of asset disposal, the Company balanced disposal turnover and value preservation, grasped disposal opportunities, accelerated cash recovery, and improved disposal efficiency, thus achieving considerable net income.

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

	As at and for the year ended December 31,	
	2022	2021
	(in millions of RMB)	
Net balance of Acquisition-operation Distressed Assets	241,034.2	205,666.8
Acquisition cost of Acquisition-operation Distressed Assets	74,157.9	52,687.2
Carrying amount of Acquisition-operation Distressed Assets disposed ⁽¹⁾	40,032.7	51,160.0
Unrealized fair value changes	1,649.8	1,163.1
Net income from Acquisition-operation Distressed Assets	9,974.3	13,544.0
Internal rate of return ⁽²⁾ (%)	7.8	8.2

Note:

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

5. Management Discussion and Analysis

Restructured Distressed Assets

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

In 2022, the Company stuck to the principle of focusing on prudent operation in the principal business of “extensive distressed asset”, gave full play to the advantages of distressed assets business, adhered to prudent and effective investment, focused on prudent business development on fields including forestalling and defusing financial risks, serving the real economy and supporting the supply-side structural reform, and continuously promoted structure optimization, transformation and upgrading of restructured distressed business. First, assisting the conclusion of the Three-year Action Plan for the reform of state-owned enterprises came to a successful conclusion, the Company reasonably expanded the businesses involving “non-main business, non-dominant business and inefficient assets, ineffective assets” as well as the strip of main and auxiliary businesses; second, the Company accelerated the innovation and development of business model, carried out corporate crisis relief, corporate bankruptcy restructuring and listed company bailout to better serve the real economy; third, the Company resolutely implemented the real estate regulation, prudently participated in real estate market risk defusion, with the risk defusion projects in the Restructured Distressed Assets business in 2022 amounting to RMB2.46 billion; fourth, the Company gave full play to the advantage of cultivating the energy industry, with the new acquisition projects amounting to RMB4.18 billion, so as to serve the transformation and upgrading of energy enterprises; fifth, the Company sped up the activation and disposal of inefficient assets, optimized the asset portfolio, and promoted the high-quality development of restructured distressed business.

5. Management Discussion and Analysis

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

	As at and for the year ended December 31,	
	2022	2021
	(in millions of RMB)	
Net balance of Restructured Distressed Assets	100,221.2	134,533.8
Acquisition cost of Restructured Distressed Assets	13,894.9	36,930.1
Income from Restructured Distressed Assets	10,070.7	13,469.0
Annualized return on monthly average balance of Restructured Distressed Assets ⁽¹⁾ (%)	7.6	7.0
Balance of Restructured Distressed Assets classified as substandard, doubtful and loss ⁽²⁾	9,285.7	7,069.3
Impaired Restructured Distressed Assets ratio ⁽³⁾ (%)	8.20	4.75
Allowance for impairment losses	13,060.5	14,289.0
Impaired Restructured Distressed Assets coverage ratio ⁽⁴⁾ (%)	140.7	202.1

Note:

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

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

	As at December 31,			
	2022		2021	
	Acquisition Amount	% of total	Acquisition Amount	% of total
	(in millions of RMB)			
Real estate	53,665.6	47.4	62,511.9	42.0
Manufacturing	11,427.8	10.1	20,647.5	13.9
Leasing and commercial services	7,758.2	6.8	7,681.3	5.2
Mining	7,153.8	6.3	11,237.0	7.6
Wholesale and retail trade	6,987.8	6.2	8,713.1	5.9
Water conservancy, environment and public facilities management	6,007.3	5.3	8,355.4	5.6
Construction	5,940.7	5.2	8,502.3	5.7
Others	14,340.5	12.7	21,174.3	14.1
Total	113,281.7	100.0	148,822.8	100.0

5. Management Discussion and Analysis

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

	As at December 31,			
	2022		2021	
	Acquisition Amount	% of total (in millions of RMB)	Acquisition Amount	% of total
Bohai Rim	28,089.1	24.8	33,420.9	22.5
Yangtze River Delta	16,175.5	14.3	22,364.5	15.0
Pearl River Delta	14,112.6	12.5	14,598.2	9.8
Central China	27,012.6	23.8	42,872.5	28.8
Western China	24,264.0	21.4	31,310.2	21.0
Northeastern China	3,627.9	3.2	4,256.5	2.9
Total	113,281.7	100.0	148,822.8	100.0

5.3.1.3 DES Assets Management

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

In 2022, the Company continued to leverage its professional advantages in DES, served national supply-side structural reform and mixed ownership reform of state-owned enterprises, and steadily promoted market-oriented DES business, focusing on supporting enterprises with difficulties caused by cyclical fluctuations but still expected to reverse, growth enterprises with excessive financial burden due to high indebtedness and key enterprises with strategic value; the Company actively laid out new economic fields such as new materials, new energy and high-end manufacturing, participated in the private placement of listed companies in photovoltaic, lithium batteries, semiconductor and other fields, and promoted the development of specialised and new enterprises; further enhanced the disposal of existing DES projects, disposed of listed equity assets when appropriate, and continuously improved the quality and efficiency of DES assets management.

5. Management Discussion and Analysis

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

	As at and for the year ended December 31,	
	2022	2021
	(in millions of RMB)	
Total book value		
DES Assets at fair value through profit or loss	34,129.1	35,940.0
DES Assets at interests in consolidated structured entities and associates and joint ventures	59,826.9	53,753.0
DES Assets at fair value through other comprehensive income	3,048.3	3,685.9
Total	97,004.3	93,378.9
DES Assets Income		
Fair value changes ⁽¹⁾	1,118.9	8,299.0
Gains realized with other accounting approaches ⁽²⁾	8,653.3	3,673.8

Note:

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

5.3.1.4 Other Distressed Asset Businesses

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

5. Management Discussion and Analysis

Other Distressed Asset Business of the Company

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

In 2022, the Company's other distressed assets business focused on real economy relief and restructuring of distressed enterprises, with emphasis on providing integrated financial solutions via substantial restructuring and other means: First, the Company participated in the risk defusion of the real estate market by substantial restructuring, and effectively ensured housing project delivery, stability and people's livelihood; second, the Company explored the rescue of high-risk institutions, and reorganized ST listed companies and local state-owned enterprises jointly with industrial investors; third, the Company actively expanded projects in the new economy, and served national strategies such as "great self-reliance and strength in science and technology" and "carbon peaking and carbon neutrality"; fourth, the Company supported the restructuring of state-owned enterprises, revitalized the state-owned stock assets, and helped the high-quality development of state-owned enterprises and central enterprises; fifth, the Company vigorously promoted business innovation, and actively explored new business of special opportunity investment in default risk resolution on private equity funds, listed company rescue, default bonds, etc.

As at December 31, 2021 and 2022, the balance of other distressed asset business of the Company amounted to RMB162.28 billion and RMB186.70 billion, respectively. In 2021 and 2022, the income of other distressed asset business of the Company amounted to RMB7.28 billion and RMB6.45 billion, respectively.

Cinda Hong Kong

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

As at December 31, 2021 and 2022, the balance of other distressed asset business of Cinda Hong Kong amounted to RMB42.40 billion and RMB41.95 billion, respectively. In 2021 and 2022, the income of other distressed asset business of Cinda Hong Kong amounted to RMB0.19 billion and RMB2.57 billion, respectively.

5. Management Discussion and Analysis

Cinda Investment

With its expertise in investment and asset management, Cinda Investment proactively integrates itself into the Group's synergistic development. Through its professional investment team and flexible investment methods, Cinda Investment forms upstream and downstream coordination with the headquarters, branches and other subsidiaries of the Group to provide customized investment solutions to customers.

As at December 31, 2021 and 2022, the balance of other distressed asset business of Cinda Investment amounted to RMB60.89 billion and RMB62.02 billion, respectively. In 2021 and 2022, the income of other distressed asset business of Cinda Investment amounted to RMB4.51 billion and RMB4.14 billion, respectively.

Zhongrun Development

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

As at December 31, 2021 and 2022, the balance of other distressed asset business of Zhongrun Development amounted to RMB3.06 billion and RMB3.04 billion, respectively. In 2021 and 2022, the income of other distressed asset business of Zhongrun Development amounted to RMB0.39 billion and RMB0.36 billion, respectively.

Cinda Real Estate

As a professional real estate platform of the Group, Cinda Real Estate plays the role of "project management subject, post-investment management assistant, and real estate investment advisor" in the Group's distressed assets business of real estate. Cinda Real Estate revitalizes distressed real estate, unlocks and enhances values of such assets through equity merger and entrusted construction, so as to provide effective methods for asset disposal and realization. Cinda Real Estate adopts various modes such as acquisition, merger, entrusted construction, joint construction, supervision and consultation to participate in the Group's real estate business synergy, promote the resumption of real estate risk projects and practically "ensure the housing project delivery, stability and people's livelihood". In 2022, Cinda Real Estate witnessed management of 3.18 million square meters of new collaborative projects, revitalizing a total of 3.4 million square meters.

In 2021 and 2022, Cinda Real Estate achieved revenue from sales of properties held for sale of RMB20.29 billion and RMB16.05 billion, respectively

5. Management Discussion and Analysis

5.3.1.6 Entrusted Operation

The Group provides entrusted operation services to distressed assets and entities under the engagement of government departments, enterprises and financial institutions. The entrusted distressed asset operation business was mainly conducted by the Company. As at December 31, 2021 and 2022, the balance of the entrusted operation distressed assets amounted to RMB7.59 billion and RMB8.31 billion, respectively.

5.3.2 Financial Services Business

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

In 2021 and 2022, the income from the financial services business accounted for 21.5% and 30.1% of the total income of the Group, respectively, and the profit before tax from the financial services business accounted for 26.2% and 58.3% of the profit before tax of the Group, respectively.

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

	As at and for the year ended December 31,							
	2022				2021			
	Income	Profit before tax	Total assets	Net assets	Income	Profit before tax	Total assets	Net assets
	(in millions of RMB)							
NCB	14,680.5	3,735.5	482,332.0	54,385.7	11,660.8	3,017.5	437,053.1	53,160.9
Cinda Securities	4,670.7	1,517.3	65,762.3	14,181.4	5,032.7	1,457.1	64,680.1	12,842.6
Jingu Trust	800.4	181.7	6,865.8	4,363.2	683.9	160.1	6,623.3	4,259.1
Cinda Financial Leasing	4,103.2	691.4	80,383.5	8,243.7	3,473.5	417.1	70,815.1	7,704.6

Note:

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

5. Management Discussion and Analysis

5.3.2.1 Banking Business

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

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

NCB

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

	As at and for the year ended December 31,	
	2022	2021
(in billions of RMB)		
Total assets	482.3	437.1
Total loans	262.4	241.7
Total deposits	326.5	313.8
Net interest income	6.2	5.2
Net commission and fee income	1.1	1.4
Asset quality indicators(%)		
Non-performing loan ratio ⁽¹⁾	1.19	1.50
Capital adequacy ratio indicators(%)		
Total capital ratio ⁽²⁾	17.45	18.46
Tier-1 capital ratio ⁽³⁾	14.04	15.02
Tier-1 common capital ratio ⁽⁴⁾	12.67	12.54
Profitability indicators(%)		
Return on average assets ⁽⁵⁾	0.73	0.62
Return on average shareholder's equity ⁽⁶⁾	6.15	4.99
Net interest margin ⁽⁷⁾	1.44	1.33
Cost-to-income ratio ⁽⁸⁾	36.16	38.89
Other indicators(%)		
Liquidity coverage ratio ⁽⁹⁾	139.36	153.44

5. Management Discussion and Analysis

Note:

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

NCB Hong Kong

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

The personal wealth management services of NCB Hong Kong mainly include all kinds of currency deposits, foreign exchange, stock, fund, bond trading, foreign exchange and stock margin, mortgages, taxation, personal loans and insurance, etc. Based on the business philosophy of “serving two places with one line of continuity”, NCB Hong Kong optimizes the product and service process, improves the online and offline service channel for customers, and enhances the professional standards and customer experience of cross-border service to serve Hong Kong citizens and customers in the Greater Bay Area. With the establishment of the brand image as an RMB expert, NCB Hong Kong vigorously promotes RMB deposit and exchange business to meet customers’ demand for RMB wealth management.

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

On the basis of stabilizing the existing business, NCB Hong Kong actively promotes transformation and innovation towards a comprehensive business provider of financial advisors and financial stewards, boosts and implements the three strategic businesses of cross-border business, “investment banking + commercial banking” and financial technology to promote the stable and sound development of business operations.

5. Management Discussion and Analysis

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

	As at and for the year ended	
	December 31,	
	2022	2021
	(in billions of RMB)	
From personal customers		
Balance of loans	29.8	29.6
Balance of deposits	136.5	113.9
Net interest income	0.8	0.7
Net commission and fee income	0.3	0.6
From corporate customers		
Balance of loans	160.1	142.1
Balance of deposits	122.1	114.5
Net interest income	2.1	1.9
Net commission and fee income	0.5	0.6

NCB China

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

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

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

5. Management Discussion and Analysis

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

NCB China, which leverages the resources of the Group, is actively transforming into a fintech institution by upholding the principle of "dedicating to serving customers". Giving full play to the advantages of cross-border business, and highlighting the characteristics of cross-border comprehensive financial and asset management services, it has constantly improved the service level for domestic and foreign customers. NCB China, focusing on the Group's main business, brings into play its banking advantages and effectively supports the Group's project process management of its main business through comprehensive financial services such as account opening and fund supervision. By mutually recommending customers and project resources with the Group, NCB China increased its efforts to serve the real economy. During the year, the synergistic business of NCB China with the Group totaled RMB23.53 billion, and realized business synergy income of RMB0.42 billion, which effectively supported the Group's business expansion in FI Distressed Assets and NFI Distressed Assets acquisition and equity projects, and improved its capabilities for process management and risk forestalling of projects of the main business of distressed assets.

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

	As at and for the year ended December 31,	
	2022	2021
	(in billions of RMB)	
Total assets	142.8	147.3
Total loans	81.1	83.6
Total deposits	85.1	97.0
Net interest income	1.7	1.7
Net commission and fee income	0.2	0.3
Asset quality indicators(%)		
Non-performing loan ratio	1.36	0.83
Provision coverage ratio	136.16	257.44
Capital adequacy ratio indicators(%)		
Core tier-1 capital adequacy ratio	16.69	15.07
Tier-1 capital adequacy ratio	16.69	15.07
Capital adequacy ratio	17.10	16.15
Profitability indicators(%)		
Return on average assets	0.66	0.42
Return on average shareholder's equity	6.07	4.03

5. Management Discussion and Analysis

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

	As at December 31,			
	2022		2021	
	Amount	% of total	Amount	% of total
	(in billions of RMB)			
Loan				
Corporate Banking Business	60.9	75.0	61.5	73.6
Personal Banking Business	20.2	25.0	22.1	26.4
Total	81.1	100.0	83.6	100.0
Deposits				
Corporate Banking Business	75.0	88.1	87.0	89.7
Personal Banking Business	10.1	11.9	10.0	10.3
Total	85.1	100.0	97.0	100.0

5.3.2.2 Securities, Futures and Fund Management

The Group conducts securities, futures and fund management through Cinda Securities and its subsidiaries. In 2021 and 2022, the revenue of Cinda Securities amounted to RMB3,803.3 million and RMB3,437.8 million respectively.

Cinda Securities continued to strengthen its research capacity, vigorously cultivating and introducing high-quality research teams. Cinda Securities strengthened synergy with the main business of distressed assets, and provided industry research and corporate research services for projects of the main business of distressed assets in new economy investment fields such as strategic emerging industries, further enhancing the coverage and depth of investment research and providing professional support for scientific and accurate decision-making of projects.

5. Management Discussion and Analysis

Cinda Securities

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

	For the year ended December 31,			
	2022		2021	
	Amount	% of total	Amount	% of total
	(in millions of RMB)			
Securities brokerage	1,416.6	41.2	1,684.5	44.3
Proprietary securities trading	247.3	7.2	219.3	5.8
Investment banking	168.8	4.9	440.0	11.6
Asset management	343.8	10.0	331.3	8.7
Futures	208.3	6.1	204.4	5.4
Overseas business	97.5	2.8	203.6	5.3
Other businesses	955.4	27.8	720.2	18.9
Total	3,437.8	100.0	3,803.3	100.0

Cinda Futures

The Group conducts the futures business through Cinda Futures. In 2021 and 2022, income from the futures business of Cinda Futures amounted to RMB204.4 million and RMB208.3 million, respectively, and the operating profit realized amounted to RMB83.4 million and RMB87.3 million, respectively.

Cinda Fund

The Group conducts mutual fund business through Cinda Fund. Those mutual funds are classified into monetary funds, equity funds, bond funds and hybrid funds, which mainly invest in equity assets and fixed-income assets. As at December 31, 2021 and 2022, the Group had 41 and 51 mutual securities investment funds with the total AUM of mutual funds and asset management plans amounting to RMB89.49 billion and RMB103.49 billion, respectively. In 2021 and 2022, management fee income from such funds and asset management plans amounted to RMB689.0 million and RMB985.0 million, respectively.

Cinda International

The Group conducts cross-border securities brokerage, financial product trading, investment banking and asset management business in Hong Kong through Cinda International. In 2021 and 2022, the revenue of Cinda International amounted to RMB203.6 million and RMB97.5 million respectively.

5. Management Discussion and Analysis

5.3.2.3 Trusts

The Group conducts trust business through Jingu Trust. As at December 31, 2021 and 2022, the existing trust AUM amounted to RMB174.22 billion and RMB167.39 billion, respectively, and the Group managed 258 and 304 existing trust projects, respectively. In 2021 and 2022, the commission and fee income generated from the trust business were RMB0.57 billion and RMB0.69 billion, respectively, accounting for 83.2% and 87.3% of Jingu Trust's total revenue in respective periods.

Aiming at building an important platform for “asset management, trust services and wealth management”, Jingu Trust has been actively integrating resources, innovating special development models, and strengthening strategic synergy with the Group. Giving full play to its features and advantages of trusts business, Jingu Trust assisted the Group in the business of distressed assets operation. Jingu Trust had nearly RMB15.0 billion of new synergy projects in 2022, and the balance of the synergy business reached RMB57.2 billion at the end of the year, forming a close business synergy structure and an operable and replicable business model.

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

	As at December 31,			
	2022		2021	
	Amount	% of total	Amount	% of total
	(in millions of RMB)			
Infrastructure	21,836.0	13.0	18,878.0	10.8
Real estate	10,665.6	6.4	11,300.0	6.5
Securities markets	14,418.6	8.6	5,823.0	3.3
Industry and commerce	96,534.7	57.7	55,481.0	31.9
Financial institutions	3,141.1	1.9	2,943.0	1.7
Asset-backed securitization	20,642.5	12.3	79,654.0	45.7
Others	155.9	0.1	142.0	0.1
Total	167,394.4	100.0	174,221.0	100.0

5. Management Discussion and Analysis

5.3.2.4 Financial Leasing

The Group conducts financial leasing business through Cinda Financial Leasing. As at December 31, 2021 and 2022, the net finance lease receivables of the Group were RMB58.89 billion and RMB69.64 billion, respectively. In 2021 and 2022, the net revenue generated by the financial leasing business of the Group was RMB1,651.4 million and RMB1,934.9 million, respectively, and the net profit generated from the financial leasing business of the Group was RMB301.9 million and RMB549.5 million, respectively.

Cinda Financial Leasing focused on the main responsibility of the Group's distressed assets and gave full play to the characteristics and product advantages of leasing "fund financing + assets financing" to help build the Group's customer base and ecosystem. Cinda Financial Leasing adhered to its strategic positioning, gave full play to its advantages, and played an active role in key industries and key areas such as serving the real economy, supporting strategic emerging industries, green leasing, and serving micro and small-sized enterprises. In 2022, Cinda Financial Leasing made 39 new collaborative investments in the Group's strategic and important customers, with a contract value of RMB10.7 billion.

Product types

In 2022, the net revenue from specialized products and non-specialized products was RMB553.4 million and RMB1,381.5 million, respectively, representing 28.6% and 71.4% of Cinda Financial Leasing's total income, respectively.

5. Management Discussion and Analysis

Industry distribution

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

	As at December 31,			
	2022		2021	
	Amount	% of total	Amount	% of total
	(in millions of RMB)			
Manufacturing	20,741.9	28.7	17,920.5	29.4
Construction	17,489.7	24.2	12,190.8	20.0
Leasing and commercial services	12,213.8	16.9	8,716.4	14.3
Transportation, logistics and postal services	5,059.0	7.0	5,972.5	9.8
Mining	6,070.8	8.4	5,303.0	8.7
Production and supply of power, heat, gas and water	4,408.5	6.1	4,327.7	7.1
Water conservancy, environment and public facilities management	3,396.8	4.7	3,779.2	6.2
Others	2,890.9	4.0	2,744.0	4.5
Total	72,271.3	100.0	60,954.1	100.0

5.3.3 Information Technology

In 2022, the Company promoted the full implementation of its “Digital Cinda” strategy and made significant progress in data governance and technology empowerment. The new core and its supporting systems under continuous construction are ready for trial operation, and the overall operation of the information system is stable.

In 2022, the Company continued to promote the construction of the new core system project and completed the development and implementation of all business scheduled functions of the new core system, as well as the development and transformation of more than 20 supporting systems of the project group, covering the entire life cycle of the Company’s “extensive distressed asset” business, realizing the end-to-end management of the whole process of the Company’s main business. Simultaneously, the Company built basic platforms such as “container cloud” and “agile research and development”, and the project group as a whole was qualified for online trial operation.

5. Management Discussion and Analysis

Leveraging technology to empower the operation of the main business of distressed asset management. The Company independently developed and officially launched “Cinda Smart Search”, a distressed asset promotion platform, which integrates the functions of asset display, promotion preview and investment intention publish, etc. Based on the promotion platform and various online and offline channels, the Company unblocked the core links in the distressed assets value chain, focused on project operation and customer value enhancement, and jointly built an all-win non-performing assets ecosystem.

Facilitating risk and compliance control by technical means. The risk monitoring platform was launched as scheduled, realizing risk pre-identification and providing data support for subsequent dynamic risk identification, monitoring and potential risk project consultation. The Company implemented a data governance mechanism and comprehensively promoted the implementation of data governance in terms of data strategy, data governance organization and institutional system, data standards, data quality, data requirements and services, and data models. The Company enabled the Group’s unified automatic connection to improve the Group-wide customer management and unified risk management capabilities. Combined with the opportunity of new core system construction, the Company ensured that data standards are implemented to the greatest extent in information systems, and enhanced data sharing by the data asset management platform.

Combining with the application of financial technology to improve internal management. The Company launched the construction of a new file system to promote the standardization of the Company’s file management process, enhance the electronization of files, and supported the development of the pilot digital archive room of the Group. The relevant system is initially ready for online trial operation.

Safe and stable operation of information systems. The availability rate of key systems reached 99.99%, system security construction and management were effective, and no information security incidents occurred throughout the year. The Company completed annual disaster recovery drills as planned to continuously ensure information system disaster recovery and business continuity capability.

5.3.4 Human Resources Management

In 2022, the Company continued to uphold the concept of streamlined and efficient talent allocation, further revised and improved the human resources management system and methods, and smoothed the career development channel for employees. The Company formulated and implemented a five-year plan for the construction of its cadre team, a management plan for the talent pool, and an implementation plan for the exchange of cadres, which strengthened the Company’s talent management mechanism and the internal and external exchange mechanism for cadres and employees, promoted the development of employees in multiple ways and angles, and made continuous efforts in the reform of the Company’s organization, personnel structure adjustment and human resources management system construction to provide a strong organizational guarantee and talent support for the Company’s high-quality and sound development.

5. Management Discussion and Analysis

5.3.4.1 Employees

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

	As at December 31,			
	2022		2021	
	Number of employees	% of total	Number of employees	% of total
By location				
Employees in Mainland China	11,978	87.3	13,052	88.7
Employees in Hong Kong and Macao	1,739	12.7	1,671	11.3
By gender				
Male	7,567	55.2	8,342	56.7
Female	6,150	44.8	6,381	43.3
Total	13,717	100.0	14,723	100.0

In the Company and its tier-one subsidiaries (head offices), employees with a bachelor's degree or above and employees with a master's degree or above accounted for 92% and 60% respectively. The Company has achieved employee diversity, including gender by taking diversity as the significant consideration factor in human resources management. In order to ensure its stable development in the long run, the Company has attached great importance to its relationship with all employees. The business and financial conditions of the Company are not reliant on particular employee(s).

5.3.4.2 Remuneration Policy

The Company's remuneration policy follows the basic principle of performance priority while giving consideration to fairness. In order to meet the needs of the Company's development strategy, remuneration management follows the principle of marketization, and remuneration distribution is linked to operating efficiency. The Company continues to improve the market-oriented assessment mechanism, putting indicators such as development quality, risk management and sustainable development into the assessment, and implements a match for remuneration and performance and establishes a normative order for income distribution.

5. Management Discussion and Analysis

5.3.4.3 Education and Training

In 2022, the Company adhered to the problem-oriented, practice-oriented and result-oriented approach, built four major curriculum systems, namely, political theory, leadership, general knowledge, and core business, prepared and implemented the Training Plan for the Core Business of Distressed Assets and the Implementation Plan for the Core Business Training of Distressed Assets of the Company. The Company continuously promoted the construction of the graded and classified training system and continuously expanded the training beneficiaries. Through the combination of on-site training and video lectures, offline self-study and online learning, more than 3,300 training sessions of various types have been completed and the training attendance exceeded 300,000 throughout the year, boosting the Company's business transformation and high-quality development.

5.4 Risk Management

5.4.1 Framework of Comprehensive Risk Management

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

In 2022, the Company continued to promote the construction of a comprehensive risk management system and continuously strengthened the risk management concept of "protecting the bottom-line by managing risks proactively", ensured the transmission of risk appetite within the Group, formulated and adjusted risk management and control policies in a timely manner, strengthened the Group's risk control, and improved the risk control of the entire business process. The Company continued to strengthen risk control from the headstream and optimize risk monitoring and warning to achieve the goal of strictly controlling incremental risks and resolving stock risks, and further consolidated asset quality. The Company continuously developed the "Digital Cinda" risk control system to consolidate the risk control infrastructure and further enhance the perspectiveness and effectiveness of the Group's risk management.

5. Management Discussion and Analysis

5.4.2 Risk Appetite

At the beginning of 2022, the Risk Appetite Statement of the Group (2022) was formally implemented upon the approval of the Board and subject to its supervision in implementation. In 2022, the Company continuously monitored and evaluated the operation of the risk appetite system, prepared quarterly reports on the execution of the Group's risk appetite, optimized indicators for risk appetite and improved the transmission mechanism of risk appetite, with a view to further make use of risk appetite system as a guide in the operation of the Group as a whole. Since its launch, the Group's risk appetite system has effectively promoted the Company to strictly implement national policies and regulatory requirements, further focus on the main responsibility and business, enhance business support in resolving the risk of distressed institutions and distressed assets, and ensure the implementation of the Group's development strategy and the development of characteristic and differentiated operation, which provided an effective guarantee for the stable operation of the Group's business and the smooth realization of the Group's risk control objectives.

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

5.4.3 Risk Management Organizational Structure

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

5. Management Discussion and Analysis

In 2022, the Risk Management Committee of the Board convened five meetings to consider various resolutions, such as the risk appetite statement of the Group, and the risk management report of the Group. The risk management committee of the Senior Management convened six meetings to consider and approve various resolutions, such as the risk management policy, the risk limits management plan and the risk monitoring and evaluation plan of the Group.

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

In 2022, the Company further improved its risk management structure. The independence and professionalism of risk management have been continuously improved, the risk management ability has been further strengthened, and the working efficiency of risk management has been improved. As a step forward, the Company also carried on its progress in developing a dedicated risk management team, and strove to continuously improve the performance and competence of all Group personnel involved in risk management through business training programs, qualification verification, expertise test and performance assessment.

5.4.4 Risk Management Policy System

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

In 2022, the Company formulated and issued the Group's risk management policy for 2022 covering seven major types of risks, including credit risk, market risk, operational risk, liquidity risk, connected transaction risk, reputation risk and concentration risk, and the Group's risk limit management scheme with five major parts for 2022, including credit risk limit, market risk limit, liquidity risk limit, connected transaction risk limit and concentration risk limit. The Company further improved the forward-looking risk management, to match the alignment of business scale, operating income and risk exposure, resolutely prevented the occurrence of systematic risks, carried out business compliantly and prudently according to the risk appetite, and ensured the asset quality and liquidity security. In addition, in 2022, through the special inspection of endogenous risks, the Company re-examined the risk-related systems, processes and mechanisms, formulated the Potential Risk Project Consultation Measures, revised the Credit Risk Management Measures, Liquidity Risk Management Measures, Concentration Risk Management Measures, Connected Transaction Management Measures, Operational Risk Liability Penalty Measures, etc., optimized the relevant working process and improved the management efficiency, so as to further improve the effectiveness of risk management and control.

5. Management Discussion and Analysis

In 2022, the Company completed the updating and formulation of the Company Recovery Plan (2022) in accordance with the requirements of the Interim Measures for Implementation of Recovery and Disposal Plans for Banking and Insurance Institutions issued by the CBIRC, which has proposed an effective plan for the Company to assume the risk challenges in extreme situations and the systematic risk control mechanism has been further improved.

5.4.5 Risk Management Tools and System

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

In 2022, the Company proactively adjusted its business strategy and business structure in alignment with regulatory requirements and market changes, and strictly controlled the risk policy boundaries for the conduct of business, so as to ensure that the concentration risks with key customers, industries and regions were under control. The Company also adjusted the management and control methods based on changes in risk exposure on a timely basis, so as to ensure the effectiveness and timeliness of concentration management. With economic capital management on top of the agenda, the Company strictly controlled the risk limit control standard and appropriately assigned the economic capital quota for each business line, with an aim to optimize the allocation of business and management resources.

The Company actively promoted the construction of information systems related to risk management, and successfully launched the risk monitoring platform to form a comprehensive monitoring system covering all risk types; innovatively developed customer default probability prediction system and dynamic collateral monitoring system to enhance the foresight and effectiveness of risk management; further optimized and improved the internal rating system, the connected transaction system, the collateral management system and the risk warning system to continuously improve the information level of risk management.

5. Management Discussion and Analysis

5.4.6 Management of Credit Risk

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

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

In 2022, in order to implement the Company's business development strategies and risk appetite requirements and improve the Group's credit risk management, the Company fully balanced the scale and efficiency, speed and quality, and development and risk, further improved the scientificity and accuracy of the internal rating system, unified internal rating review standards, strengthened internal rating review, effectively identified customer and project risks, consolidated customer and project access, strengthened source control, and increased effective investment. The Company also strove to improve the foresight and the ability of warning and pre-control of credit risk management, guided the conduct of the business of the Company in a compliant and sound manner, and made every effort to control credit risks.

5.4.7 Management of Market Risk

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

With respect to interest rate risk, the Company, following the general principle of the matching of assets and liabilities, has maintained the interest rate risk at a reasonable level by reasonably adjusting asset maturities and pricing methods, flexibly adjusting debt duration and financing rhythm, and controlling the financing cost. With respect to foreign exchange risk, the Company has effectively controlled its exposure to foreign exchange risks mainly by matching currencies used in assets and liabilities based on the general principle of risk neutral. Overseas financing of the Company was mainly invested in assets denominated in USD or in HKD linked to USD.

5. Management Discussion and Analysis

In 2022, the A-share market marginally rebounded after it seesawed lower, with different situations for different sectors. The Company continuously and closely monitored the effects placed by factors such as trends of the macroeconomy, regulatory policy guidance, domestic and overseas market situation, industry development trend, cycle characteristics and liquidity changes in the value of equity enterprises, and raised its efforts in research and judgment so as to reasonably formulate and adjust the management strategies of its listed equity assets and endeavored to enhance management effectiveness.

5.4.8 Management of Liquidity Risk

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

The Group, focusing on liquidity security, has resolutely implemented the regulatory authorities' requirements on liquidity risk management, and constantly improved the liquidity risk management policies, procedures and institutional systems, in order to manage the liquidity of the Group in a holistic manner. Relying on the liquidity risk management information system, the Group, on the basis of regular monitoring of the liquidity status of the institutions within the Group, prospectively carried out liquidity safety supervision on the Group's institutions, and timely transmitted changes in the external financing situation and the Group's liquidity management strategy to effectively prevent liquidity risks. The Group regularly conducted liquidity risk stress tests to fully assess the impact of various stress scenarios on the Group's liquidity and ensure the Group's liquidity security.

In 2022, the Group maintained relatively stable leverage, continued to optimize its liability structure and improved the matching of the maturity of assets and liabilities. The Group adopted centralized management and dispatch of funds to maintain a reasonable capital position and ensure liquidity security; increased the proportion of long-term financing on a controlled cost basis to strike a balance between cost control and structure optimization; continuously expanded diversified financing channels, and issued financial bonds for real estate industry bailout to continuously enhance the stability of the financing system.

5.4.9 Management of Concentration Risk

Concentration risk refers to the risk that an individual exposure or combination of exposures may threaten the Company's overall solvency or financial position, resulting in a material change in risk profile. The Company mainly monitors the concentration risk of customers, industries, regions, connected transactions, etc.

The Company's concentration risk management follows the principle of "adhering to the bottom line, prior management, differential control and precise control", strictly complies with the relevant regulatory requirements and, under the leadership of the Board and the management, constantly improves the concentration risk management system with the objective of controlling concentration risk.

5. Management Discussion and Analysis

In 2022, the Company revised the Concentration Risk Management Measures, and formulated differentiated management measures based on concentration risk characteristics and management needs, to achieve tailored policies and take targeted measures. The Company strengthened concentration risk control, and enhanced research, monitoring and warning to prevent large risk exposure; improved the risk management mechanism for key customers, strengthened risk identifying, measuring, monitoring, controlling and reporting for key customers, scientifically formulated risk limits for the Group's customers, matched customer operating conditions with the amount of business conducted, and strove to enhance the foresight and linkage of risk management for key customers to effectively control customer concentration risk.

5.4.10 Management of Operational Risk

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

In 2022, the Company continued to strengthen operational risk control by focusing on regulatory priorities. The Company strengthened risk governance in key business areas and key links, and continued to promote system and process optimization; carried out self-assessment of operational risk and control based on the Company's actual situation and management priorities, improved the monitoring system of key risk indicators, and continued to strengthen the effectiveness of operational risk management tools; effectively operated the grid-based management mechanism, and continued to consolidate staff behavior management to guarantee sound business development of the Company.

5.4.11 Management of Reputation Risk

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

In 2022, the Company thoroughly implemented the regulatory requirements, continuously optimized the reputation risk management mechanism and continuously improved the professionalism, timeliness and effectiveness of reputation risk management; improved the public sentiment monitoring system, and strengthened the public sentiment monitoring mechanism at both headquarters and branch and subsidiary levels, making public sentiment monitoring more comprehensive and targeted; emphasized identification, recognition and warning of potential reputation risk factors, incorporated reputation risk factors into the Company's stress testing system, and enhanced forward-looking reputation risk management and source prevention and control; carried out reputation risk system training and emergency drills to improve the ability to handle and respond to reputation events; established a reputation risk management and assessment mechanism covering branches and subsidiaries to strengthen the Group's reputation risk control; proactively strengthen media communication and respond to social concerns to achieve good control of reputation risk.

5. Management Discussion and Analysis

During the Reporting Period, the Company's reputation risk management was steadily improved, effectively maintaining the good image and reputation of the Company.

5.4.12 Anti-Money Laundering

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

In 2022, the Company continued to identify and effectively prevent money laundering risks, and earnestly fulfilled the legal obligations and social responsibilities of anti-money laundering. The Company earnestly implemented the regulatory requirements and further improved the anti-money laundering management systems; rationally allocated resources and adopted effective control measures based on the evaluation of the organizational money laundering risk; carried out anti-money laundering supervision and inspection and anti-money laundering special audit to consolidate the foundation of money laundering risk management and promote the integration of anti-money laundering efforts and the business; promoted the updating of anti-money laundering information system, and provided technical support for practitioners to fulfill their anti-money laundering obligations; organized and carried out targeted and instructive anti-money laundering training covering Senior Management, new employees, anti-money laundering personnel and internal auditors to strengthen the performance ability of practitioners; strengthened anti-money laundering propaganda, and enriched the form of publicity to consolidate the awareness of money laundering risk prevention of all staff.

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

5.5 Capital Management

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

5. Management Discussion and Analysis

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

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

	As at December 31,	
	2022	2021
(in millions of RMB)		
Core tier-1 capital adequacy ratio (%)	10.98	11.22
Tier-1 capital adequacy ratio (%)	15.48	14.08
Capital adequacy ratio (%)	17.25	16.18
Net core tier-1 capital	79,880.2	81,449.2
Net tier-1 capital	112,628.2	102,244.8
Net capital	125,443.1	117,480.9
Risk-weighted assets	727,416.4	726,249.7

As at December 31, 2021 and December 31, 2022, the leverage ratio (the ratio of interest-bearing liabilities, as presented in “Management Discussion and Analysis” – “Summary of Financial Position of the Group”, to equity, as presented in “Management Discussion and Analysis” – “Summary of Financial Position of the Group” – “Liabilities”) of the Company were both 6.4:1.

5. Management Discussion and Analysis

5.6 Prospects

In 2023, the global economic and financial landscape remains complex and volatile, fueled by the turbulent external circumstances, leaving the foundation of China's economic recovery yet to be solidified and facing greater triple pressures of shrinking demand, supply shock and weakening expectations. Staying true to the general principle of seeking progress while ensuring stability, the Chinese government will implement the new development philosophy in a complete, accurate and comprehensive manner by accelerating the building of a new development landscape, to push forward more vigorously the high-quality development. To that end, the Chinese government will align the strategy of expanding domestic demand with the deepening of structural reform, better balance both domestic and international situations, and better balance development with security. Moreover, the Chinese government will focus on stabilizing growth, employment and prices. All these efforts aim to drive an overall improvement in economic performance and thus make a good start for building a socialist modern country in an all-round way.

Regarding the economic work, the Chinese government will go further with the general principle of seeking progress while ensuring stability. That means more proactive fiscal policies and prudent monetary policies will be put into effect and the macroeconomic regulation and control will also be intensified. However, due to a combination of historical, cyclical, structural and institutional factors, financial risks remain vulnerable and prolific. It is expected that the non-performing loans of commercial banks will be generated at a faster pace, the distressed assets of non-banking financial institutions such as trusts will continue to grow, and high-risk financial institutions will accelerate reforms to address risks. Bond market defaults and stock delisting are normalizing in scale, and the risks of asset management products are increasingly enlarged. There remains large pressure to prevent and control risks in real estate enterprises and local government debts. In addition, due to the economic transformation, upgrading and slower growth, a large quantities of distressed assets, inefficient and ineffective assets, and problematic institutions need to be reinvigorated and optimized. Against such a backdrop, AMCs must focus on their main responsibilities and business, seek innovation while upholding integrity, and upgrade their business models. Only in this way will AMCs better usher in the new development pattern.

5. Management Discussion and Analysis

The Company will, based on the guidance of Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era and the spirit of the 20th National Congress of the Party and the Central Economic Work Conference, gain a deep insight into the scientific connotation of Chinese-style modernization and practice the political and people nature of financial work. To that end, the Company shall accurately grasp the responsibilities of AMC in the new era, focus on serving the real economy and stand fast to its main responsibilities and business. Furthermore, the Company shall pursue innovation while upholding integrity, constantly strengthen the core function of distressed assets disposal, and accelerate business transformation and upgrading, for unswervingly following the road of development of AMCs with Chinese characteristics. First, the Company will further increase investment in the main business of distressed assets to consolidate its core position. The Company will proactively participate in such assertive tasks as the disposal of distressed financial assets, the reform of small and medium-sized financial institutions for addressing risks, and the trusteeship of high-risk institutions. To safeguard financial stability and security, the Company will move forward on the national financial stability guarantee system and prevent and mitigate financial risks. Meanwhile, the Company will highlight its unique functional positioning and project differentiated financial service advantages, for the purpose of serving the key areas of the real economy in a targeted manner. The Company will continue to expand business opportunities in the fields of “non-main business, non-dominant business and inefficient assets, ineffective assets” of state-owned enterprises, capital market bailout, emerging industries development, and risk mitigation of distressed real estate enterprises. All these efforts will assist the Company to play a greater role in streamlining the economic and financial cycle, technological self-reliance and green economic transformation. Second, the Company will comprehensively drive the ecological and digital transformation and upgrading of the main business of distressed assets towards investment banking and asset management. The Company will strengthen the thinking of “investment + investment banking” and highlight differentiated, distinctive and specialized value-added services to empower enterprise development in an all-round way. In addition, the Company will pilot the light assets management, optimize the allocating of income and risk, and enrich the channels of social investment. The Company aims to build an open, win-win and efficient ecosystem based on the business chain and centering on the basic strategic customer base. By accumulating data assets, the Company is committed to building a digital business platform, for a continued improvement in operational efficiency. By speeding up the construction of “Digital Cinda”, the Company will strengthen the digital governance of the Group and move further on data empowerment. Third, the Company will push hard for the reform of its system and mechanism by staying true to the management concept of compliance and stability. Bearing in mind the leadership of the Party in an all-round way, the Company is dedicated to improving the efficiency of corporate governance and enhancing compliance and internal control management to ensure that all of its operations are in compliance with the law. Meanwhile, the Company will strengthen the integration of investment and research and comprehensively improve the construction of the Group’s risk management system, in order to enhance both the quality and efficiency of risk management. Moreover, the Company will expand diversified sources of financing and optimize the efficiency of capital allocation, to secure capital adequacy and liquidity. Also, the Company will strengthen the construction of a talent team and staff capacity for the sake of inheriting and developing excellent corporate culture.

6. Changes in Share Capital and Information on Substantial Shareholders

6.1 Ordinary Share Capital

As at December 31, 2022, there was no change in the ordinary share capital of the Company compared to December 31, 2021, details of which were as follows:

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

6.2 Substantial Shareholders of Ordinary Shares and De Facto Controller

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

To the knowledge of the Directors, as at December 31, 2022, the following persons had, or were deemed to have, an interest or short position in the shares and underlying shares which have been recorded in the register kept by the Company pursuant to Rule 336 of the Hong Kong SFO:

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

6. Changes in Share Capital and Information on Substantial Shareholders

Notes:

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

6.2.2 De Facto Controller

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

MOF

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

6.3 Preference Shares

6.3.1 Issuance and Listing of Preference Shares

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

6.3.2 Number of Preference Shareholders and Particulars of Preference Shareholding

As at December 31, 2022, the Company had a total of one preference shareholder (or proxy). Particulars of shareholding of the preference shareholder (or proxy) of the Company are as follows:

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

Note:

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

6. Changes in Share Capital and Information on Substantial Shareholders

6.3.3 Dividend Distribution of Preference Shares

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

Pursuant to the dividend distribution plan for 2021 Offshore Preference Shares considered and approved at the tenth meeting of the Board held on August 29, 2022, the Company distributed dividends for 2021 Offshore Preference Shares on November 3, 2022 at the rate of 4.40% (after tax) and the total amount of dividends was USD74.8 million (after tax). For details of the dividend distribution of 2021 Offshore Preference Shares, please refer to the relevant announcement of the Company dated August 29, 2022.

6.3.4 Redemption or Conversion of Preference Shares

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

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

6.3.5 Restoration of Voting Rights of Preference Shares

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

6.3.6 Accounting Policy Adopted for Preference Shares and Grounds

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

7. Directors, Supervisors and Senior Management

7.1 Directors

No.	Name	Gender	Year of birth	Position	Term of office
Current Directors					
1	Zhang Weidong	Male	1967	Chairman, Executive Director	From June 2022 to June 2025
2	Liang Qiang	Male	1971	Executive Director, President	From October 2022 to October 2025
3	Zhao Limin	Male	1969	Executive Director, Vice President	From May 2022 to May 2025
4	He Jieping	Male	1963	Non-executive Director	From June 2022 to June 2025
5	Wang Shaoshuang	Male	1964	Non-executive Director	From June 2022 to June 2025
6	Chen Xiaowu	Male	1965	Non-executive Director	From December 2021 to December 2024
7	Zhang Yuxiang	Female	1963	Non-executive Director	From June 2022 to June 2025
8	Liu Chong	Male	1970	Non-executive Director	From June 2022 to June 2025
9	Lu Zhengfei	Male	1963	Independent Non-executive Director	From June 2022 to June 2025
10	Lam Chi Kuen	Male	1953	Independent Non-executive Director	From June 2022 to June 2025
11	Wang Changyun	Male	1964	Independent Non-executive Director	From September 2022 to September 2025
12	Sun Maosong	Male	1962	Independent Non-executive Director	From September 2022 to September 2025
13	Shi Cuijun	Female	1969	Independent Non-executive Director	From April 2023 to April 2026
Resigned Directors					
1	Zhang Zi'ai	Male	1961	Chairman, Executive Director	From June 2019 to June 2022
2	Zhang Guoqing	Male	1966	Non-executive Director	From June 2019 to September 2022
3	Tang Jiang	Male	1966	Non-executive Director	From September 2022 to March 2023
4	Zhu Wuxiang	Male	1965	Independent Non-executive Director	From June 2019 to September 2022
5	Sun Baowen	Male	1964	Independent Non-executive Director	From June 2019 to September 2022

7. Directors, Supervisors and Senior Management



Mr. Zhang Weidong

Zhang Weidong, Chairman and Executive Director

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



Mr. Liang Qiang

Liang Qiang, Executive Director and President

Mr. Liang has been the executive Director and President since October 2022. He joined the Company in September 1999 and worked successively in multiple positions at the Taiyuan office, the market development department, the finance department, the planning and finance department, the comprehensive planning department, the strategic investors introduction and listing panel office of the Company, and Shanghai branch. He successively took the positions of Assistant to President, member of the Party Committee and Vice President of the Company from February 2016 to December 2019, and concurrently served as a non-executive director of NCB Hong Kong from May 2016 to February 2020. He successively took the positions of member of the party committee, vice president and executive director of China Orient Asset Management Co., Ltd. from December 2019 to December 2020. He successively took the positions of deputy secretary of the party committee, executive director and president of China Great Wall Asset Management Co., Ltd. from December 2020 to June 2021. He successively took the positions of deputy secretary of the party committee, president and executive director of China Huarong Asset Management Co., Ltd. from June 2021 to September 2022. He has been the deputy secretary of the Party Committee of the Company since September 2022. Mr. Liang graduated from Shanxi Finance & Taxation College in 1993 majoring in Investment and Economic Management. Mr. Liang graduated from the Shanghai University of Finance and Economics majoring in Accounting and obtained a bachelor's degree in Economics in 1999. He obtained an MBA degree from Tsinghua University in 2005. He holds the professional title of Senior Economist.



Mr. Zhao Limin

Zhao Limin, Executive Director and Vice President

Mr. Zhao has been the executive Director since May 2022. He worked in China Construction Bank from July 1993 to September 1999, and joined the Company in September 1999. He had held various positions successively, including the deputy director of the Hohhot office, the general manager of the Jilin branch of the Company and the general manager of Cinda Investment. He has been serving successively as assistant to President and a member of the Party Committee and Vice President since August 2019, and serving as the director and chairman of Cinda Real Estate from December 2020 to August 2022. Mr. Zhao obtained a bachelor's degree in Economics from Liaoning University in 1993. He holds the professional title of Senior Economist.

7. Directors, Supervisors and Senior Management



Mr. He Jieping

He Jieping, Non-executive Director

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



Mr. Wang Shaoshuang

Wang Shaoshuang, Non-executive Director

Mr. Wang has been a non-executive Director since November 2020. From August 1989 to June 2010, he successively served as a cadre of the human resources department of MOF, a staff of the technology department of Chinese Abacus Arithmetic Association, as well as several positions of MOF, such as the staff and senior staff of research division and the principal staff of government procurement division of budget department, the principal staff, research assistant and deputy director of government procurement division and the deputy director and researcher of government procurement management division of treasury department, and the researcher and director of government procurement management division II of treasury department (treasury payment center). From June 2010 to September 2015, he consecutively served as the chief accountant (deputy-department level) and deputy director of the treasury payment center under MOF. He has been serving as the deputy director and first-class inspector of the treasury department of MOF from September 2015 to March 2021. Mr. Wang graduated from Zhongnan University of Finance and Economics (currently known as Zhongnan University of Economics and Law) with a bachelor's degree in Economics in 1989.



Mr. Chen Xiaowu

Chen Xiaowu, Non-executive Director

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

7. Directors, Supervisors and Senior Management



Ms. Zhang Yuxiang

Zhang Yuxiang, Non-executive Director

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



Mr. Liu Chong

Liu Chong, Non-executive Director

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



Mr. Lu Zhengfei

Lu Zhengfei, Independent Non-executive Director

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

7. Directors, Supervisors and Senior Management



Mr. Lam Chi Kuen

Lam Chi Kuen, Independent Non-executive Director

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



Mr. Wang Changyun

Wang Changyun, Independent Non-executive Director

Mr. Wang has been an independent non-executive Director since September 2022. He currently serves as a professor and a PhD tutor in finance at the School of Finance of Renmin University of China, the head of the Institute of International M&A and Investment of Renmin University of China, and the deputy director of the ESG Research Center of Renmin University of China. He received the Financial Support of the National Science Fund for Distinguished Young Scholars in 2007 and the title of Middle Age Experts with National Outstanding Contribution in 2013. In 2014, he was elected as the Cheung Kong Distinguished Professor of the Ministry of Education. He is also entitled to the Special Government Allowance of the State Council. From 1999 to 2005, he served as a lecturer at the Business School of National University of Singapore. He previously served as the chair of the Applied Finance Department of Renmin University of China, director of China Financial Policy Research Center and dean of Hanqing Advanced Institute of Economics and Finance. He is currently the vice chairman of China Investment Specialty Construction Association, director of China Investment Association, director of China Finance Association and special auditor of State Auditing Administration. He is currently the independent director of Agricultural Bank of China Limited, Sunway Co., Ltd. and Beijing Haohua Energy Resource Co., Ltd. Mr. Wang previously served as the independent director of Bank of China Limited. Mr. Wang graduated from Renmin University of China with a bachelor's degree and a master's degree in Economics in 1986 and 1989, respectively; he graduated from the University of London with a doctorate in Financial Economics in 1999.

7. Directors, Supervisors and Senior Management



Mr. Sun Maosong

Sun Maosong, Independent Non-executive Director

Mr. Sun has been an independent non-executive Director since September 2022. He is currently a professor and a PhD tutor of the Department of Computer Science and Technology, Tsinghua University, the executive vice president of the Institute for Artificial Intelligence, Tsinghua University, a member of the Degree Evaluation Committee and the chairman of the Computer Degree Evaluation Sub-committee of Tsinghua University, the director of the Massive Online Education Research Center of Tsinghua University, the co-director of the NUS-Tsinghua Extreme Search Centre, the executive director of the Chinese Association for Artificial Intelligence and the chief editor of the Journal of Chinese Information Processing, a national core journal. He is the chief scientist of the National Basic Research Program of China (Program 973) and chief specialist of significant projects under the National Social Science Fund of China. In 2016, he was selected as the "National Excellent Technical Personnel". In 2020, he was elected as a foreign member of Academia Europaea. In 2021, he was elected as a member of Chinese Association for Artificial Intelligence and Chinese Information Processing Society of China. He was the dean of the Department of Computer Science and Technology of Tsinghua University from 2007 to 2010. Mr. Sun graduated from the Department of Computer Science and Technology of Tsinghua University with a bachelor's degree and a master's degree in Engineering in 1986 and 1988, respectively. He graduated from the City University of Hong Kong with a doctorate in Philosophy in 2004.



Ms. Shi Cuijun

Shi Cuijun, Independent Non-executive Director

Ms. Shi has been an independent non-executive Director since April 2023. She is currently the general counsel of Total Energy (Beijing) Enterprise Management Co., Ltd., as well as the arbitrator of Hong Kong International Arbitration Center, China International Economic and Trade Arbitration Commission and Beijing Arbitration Commission. She served as the legal counsel of the Beijing Representative Office of CMS Cameron McKenna LLP in the United Kingdom, the senior lawyer of the Beijing Representative Office of Herbert Smith Freehills LLP in the United Kingdom, the general counsel of State Grid Assets Management Co., Ltd., and the senior legal counsel of the legal department of Siemens Ltd., China. She is currently an independent director of Beijing Zhong Ke San Huan High-Tech Co., Ltd. She was an independent director of Traffic Control Technology Co., Ltd. Ms. Shi graduated from the College of Arts and Law of Beijing Union University with a bachelor's degree in law in 1992. She graduated from the School of Law of Boston University with a master's degree in banking and financial law in 2001.

7. Directors, Supervisors and Senior Management

7.2 Supervisors

No.	Name	Gender	Year of birth	Position	Term of office
Current Supervisors					
1	Zhen Qinggui	Male	1965	External Supervisor	From August 2021 to August 2024
2	Liu Li	Male	1955	External Supervisor	From June 2022 to June 2025
3	Cai Xiaoqiang	Male	1961	External Supervisor	From August 2021 to August 2024
4	Gong Hongbing	Female	1966	Employee Supervisor	From September 2022 to September 2025
5	Lu Baoxing	Male	1966	Employee Supervisor	From September 2022 to September 2025
6	Yuan Liangming	Male	1965	Employee Supervisor	From September 2022 to September 2025
7	Zhou Lihua	Female	1966	Employee Supervisor	From September 2022 to September 2025
Resigned Supervisors					
1	Gong Jiande	Male	1963	Chairman of the Board of Supervisors, Shareholder representative Supervisor	From June 2022 to December 2022
2	Zhang Zheng	Male	1972	External Supervisor	From June 2019 to June 2022

7. Directors, Supervisors and Senior Management



Mr. Zhen Qinggui

Zhen Qinggui, External Supervisor

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



Mr. Liu Li

Liu Li, External Supervisor

Mr. Liu has been an external Supervisor since June 2022. He is currently a professor and a PhD tutor of the Department of Finance of the Guanghua School of Management of Peking University, and the independent director of China International Capital Corporation Limited and Metallurgical Corporation of China Ltd. He served as the independent director of Bank of Communications Co., Ltd., CNPC Capital Company Limited and Success Electronics Ltd. From September 1984 to December 1985, he served as a lecturer at Beijing Institute of Iron and Steel. He has been working in the Guanghua School of Management and School of Economics of Peking University since January 1986. He was the chairman of the Trade Union, director of the Department of Finance and director of the MBA program of Guanghua School of Management of Peking University. He was awarded the Second Prize of Philosophy and Social Science in Beijing, the Excellent Textbook Award by the Ministry of Education and the Li Yining Special Contribution Award. Mr. Liu graduated from the Department of Physics of Peking University with a bachelor's degree and a master's degree in Science in 1982 and 1984, respectively. He graduated from Catholic University of Leuven, Belgium with a master's degree in Business Administration in 1989. Mr. Liu is qualified as a Certified Public Accountant of the PRC.



Mr. Cai Xiaoqiang

Cai Xiaoqiang, External Supervisor

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

7. Directors, Supervisors and Senior Management



Ms. Gong Hongbing

Gong Hongbing, Employee Supervisor

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



Mr. Lu Baoxing

Lu Baoxing, Employee Supervisor

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

7. Directors, Supervisors and Senior Management



Mr. Yuan Liangming

Yuan Liangming, Employee Supervisor

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



Ms. Zhou Lihua

Zhou Lihua, Employee Supervisor

Ms. Zhou has been an employee Supervisor since September 2022. From August 1987 to October 1999, Ms. Zhou worked in the office of the Hebei branch of China Construction Bank. Ms. Zhou joined the Company in October 1999 and had held various positions including the head of audit, audit director and deputy director (in charge) of the trade union of Happy Life Insurance Co., Ltd., assistant to general manager of the general affairs office (mass work department), deputy general manager of the general affairs office and deputy general manager (in charge) of the general affairs office of the Company. Since August 2022, Ms. Zhou has served as the deputy general manager (in charge) of the labor union work department (general affairs office) of the Company. Ms. Zhou graduated from Harbin Construction Bank School majoring in Infrastructure Finance and Credit in 1987. She graduated from Renmin University of China majoring in Infrastructure Economics in 1992 and graduated from Renmin University of China majoring in Investment Economics in 1998 with a bachelor's degree in Economics. She holds the professional title of Economist.

7. Directors, Supervisors and Senior Management

7.3 Senior Management

No.	Name	Gender	Year of birth	Position	Term of office
Current Senior Management					
1	Liang Qiang	Male	1971	President	From October 2022
2	Ling Gan	Male	1970	Senior Management member	From October 2022
3	Liu Ligeng	Male	1965	Vice President	From June 2015
4	Hu Jiliang	Male	1964	Vice President	From March 2020
5	Zhao Limin	Male	1969	Vice President	From May 2021
6	Li Hongjiang	Male	1969	Vice President	From May 2021
7	Jiu Zhengchao	Male	1969	Assistant to President	From December 2021
8	Wang Zhengmin	Male	1973	Assistant to President	From December 2021
9	Luo Zhenhong	Male	1965	Chief Risk Officer	From October 2013
10	Ai Jiuchao	Male	1967	Board Secretary	From April 2016
11	Yang Yingxun	Male	1973	Chief Financial Officer	From August 2020
Resigned Senior Management					
1	Zhang Weidong	Male	1967	President	From January 2020 to July 2022

7. Directors, Supervisors and Senior Management



Mr. Liang Qiang

Liang Qiang, President

Please see "Directors".



Mr. Ling Gan

Ling Gan, Senior Management member

Mr. Ling has been serving as a Senior Management member since October 2022. From August 1992 to July 2001, Mr. Ling worked in the PBOC and successively served as a cadre, a section officer in the legislation division and a deputy chief officer in the legislation division of the department of treaty and law, a chief officer in the secretariat III, the supervision division and the secretariat, and a deputy head level secretary in the secretariat of the general office, and a deputy director and secretary of the party committee in the office of the Shanghai Branch. From July 2001 to July 2006, Mr. Ling served as deputy director and director of the board of supervisors of China Everbright Group and CITIC Group. From July 2006 to October 2022, Mr. Ling served as a member of the party committee, deputy director general, secretary of the party committee and director general of the Ningbo Office, secretary of the party committee, and director general of the Shaanxi Office, director of the supervision department of the city commercial bank supervision department, director of the banking institution examination bureau and inspector I (at the level of director) of the CBIRC (or CBRC). In October 2022, Mr. Ling joined the Company as the Deputy Secretary of the Party Committee (enjoying the principal title of the Company). Mr. Ling obtained a bachelor's degree in Law from Hunan Finance and Economics College (currently known as Hunan University) in 1992 and a master's degree in Economics from Renmin University of China in 2000.



Mr. Liu Ligeng

Liu Ligeng, Vice President

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

7. Directors, Supervisors and Senior Management



Mr. Hu Jiliang

Hu Jiliang, Vice President

Mr. Hu has been serving as the Vice President since March 2020. He was employed by PBOC from December 1981 to February 1985. He held various positions in Industrial and Commercial Bank of China from February 1985 to April 2000, including the director of the planning loan section of the Quzhou branch, the general manager of Zhejiang Industrial and Commercial Real Estate Company, the deputy director (in charge) of the asset risk management division of Zhejiang branch. From April 2000 to December 2019, he held various positions in China Huarong Asset Management Co., Ltd., including the senior manager, the assistant to general manager and the deputy general manager of the Hangzhou office, as well as the deputy director of the first reorganization office, the marketing director, the assistant to president and the vice president. During the period from March 2006 to January 2014, he served as the general manager and the chairman of the board of directors of China Huarong Financial Leasing Co., Ltd. From May 2021 to August 2022, he served as a director and the chairman of Cinda Financial Leasing. He has served as a member of the Party Committee of the Company since December 2019. Mr. Hu graduated from Hangzhou Cadre's Institute of Finance and Management majoring in Banking Management in 1997, and graduated from The University of Hong Kong with an MBA degree in August 2003. He holds the professional title of Senior Economist.



Mr. Zhao Limin

Zhao Limin, Vice President

Please see "Directors".



Mr. Li Hongjiang

Li Hongjiang, Vice President

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

7. Directors, Supervisors and Senior Management



Mr. Jiu Zhengchao

Jiu Zhengchao, Assistant to President

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



Mr. Wang Zhengmin

Wang Zhengmin, Assistant to President

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



Mr. Luo Zhenhong

Luo Zhenhong, Chief Risk Officer

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

7. Directors, Supervisors and Senior Management



Mr. Ai Jiuchao

Ai Jiuchao, Board Secretary

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



Mr. Yang Yingxun

Yang Yingxun, Chief Financial Officer

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

7. Directors, Supervisors and Senior Management

7.4 Change in Directors, Supervisors and Senior Management

7.4.1 Change in Directors

Since May 18, 2022, as elected at the 2022 second extraordinary general meeting and approved by the CBIRC, Mr. Zhao Limin has been serving as an executive Director.

Since June 28, 2022, Mr. Zhang Zi'ai had ceased to be the Chairman and an executive Director due to his age.

Since July 18, 2022, Mr. Zhang Weidong had ceased to be the President due to career changes.

Since August 8, 2022, Mr. Zhao Limin had ceased to be the chairman and an executive director of Cinda Real Estate.

Since August 19, 2022, as elected at the 2022 third meeting of the Board and approved by the CBIRC, Mr. Zhang Weidong has been serving as the Chairman.

Since September 7, 2022, as elected at the 2021 annual general meeting and approved by the CBIRC, Mr. Tang Jiang has been serving as a non-executive Director, and as elected at the 2021 annual general meeting and approved by the CBIRC, Mr. Wang Changyun and Mr. Sun Maosong have been serving as independent non-executive Directors.

Since September 7, 2022, Mr. Zhang Guoqing has ceased to be the non-executive Director due to work arrangements, and Mr. Zhu Wuxiang and Mr. Sun Baowen had ceased to be the independent non-executive Directors upon expiration of their terms of office.

Since October 9, 2022, Mr. Liang Qiang was appointed as the President at the 2022 11th meeting of the Board. Since October 27, 2022, as elected at the 2022 fourth extraordinary general meeting, Mr. Liang Qiang has been serving as an executive Director.

On February 8, 2023, Mr. Zeng Tianming was elected as a non-executive Director at the 2023 first extraordinary general meeting. As at the Latest Practicable Date, the qualification of Mr. Zeng Tianming is subject to the approval of the CBIRC and his term of office will take effect from the date of approval.

On March 26, 2023, Mr. Tang Jiang, a non-executive Director, passed away due to sudden illness.

Since April 12, 2023, as elected at the 2023 first extraordinary general meeting and approved by the CBIRC, Ms. Shi Cuijun has been serving as an independent non-executive Director.

7. Directors, Supervisors and Senior Management

Since May 30, 2022, Mr. Liu Chong has served as the secretary of the party committee of the COSCO Shipping Development Co., Ltd. (“**COSCO Shipping Development**”). Since June 16, 2022, Mr. Liu Chong has served as the chairman of COSCO Shipping Development and ceased to serve as the general manager of COSCO Shipping Development.

Since June 2022, Mr. Lu Zhengfei has served as an independent director of China International Capital Corporation Limited.

Since November 2022, Mr. Liu Chong has served as a non-executive director of China Merchants Securities Co., Ltd.

Since December 2022, Mr. Wang Changyun has served as an independent director of Agricultural Bank of China Limited.

7.4.2 Change in Supervisors

Since June 28, 2022, Mr. Liu Li has been serving as an external Supervisor as elected at the 2021 annual general meeting.

Since June 28, 2022, Mr. Zhang Zheng has ceased to be an external Supervisor upon the expiration of his terms of office.

Since September 2, 2022, as elected at the employee representative meeting of the Company. Ms. Zhou Lihua has been serving as an employee Supervisor.

Since December 30, 2022, Mr. Gong Jiande has ceased to be the Chairman of the Board of Supervisors and a shareholder representative Supervisor of the Company due to his age.

Since September 2022, Mr. Liu Li has ceased to be an independent director of CNPC Capital Company Limited.

Since February 2023, Mr. Zhen Qinggui has served as an independent director of Beijing Tianlang Zhida Energy Conservation and Environmental Protection Co., Ltd.

7. Directors, Supervisors and Senior Management

7.4.3 Change in Senior Management

Since August 1, 2022, Mr. Hu Jiliang has ceased to be the chairman and executive director of Cinda Financial Leasing.

Since October 2022, Mr. Ling Gan has been serving as the deputy secretary of the Party Committee of the Company (enjoying the principal title of the Company).

7.5 Annual Remuneration

7.5.1 Remuneration of Directors, Supervisors and Senior Management

For details of the remuneration of Directors, Supervisors and Senior Management, please refer to Note VI.18 “Remuneration of Directors and Supervisors” and Note VI.19 “Key Management Personnel and Five Highest Paid Individuals” to the Consolidated Financial Statements.

7.5.2 Highest Paid Individuals

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

8. Corporate Governance Report

8.1 Summary

During the Reporting Period, the Company continued to optimize and improve its corporate governance mechanism, shape a sound corporate governance culture, and promote the deep integration of strengthening the Party's leadership and improving corporate governance, leading to the continuous improvement in the effectiveness of corporate governance. The Company continued to optimize its comprehensive risk management system and improve its internal compliance mechanism, firmly holding the bottom line of no occurrence of systematic risk to ensure stable and compliant operations of the Company.

The Company gave top priority to the constraint and response of the capital market, used information disclosure and investor relations management as the effective means to disclose its information to the market in good faith to maintain a good relationship with investors and enhance the transparency of the Company's operation and management. The Company attached great importance to the protection of rights and interests of stakeholders and insisted on exploring the organic integration of corporate social responsibility with the Company's strategy and operation, striving to achieve sustainable and high-quality development of the Company.

8.1.1 Corporate Governance Code

During the Reporting Period, save as the disclosure of being unable to comply with the requirement under Rule 3.10A of the Hong Kong Listing Rules in relation to the number of independent non-executive directors in the section of "Composition and Responsibilities of the Board" of this report, the Company has fully complied with the code provisions and adopted most of the recommended best practices set out in the Corporate Governance Code (the "CG Code") under Appendix 14 to the Hong Kong Listing Rules.

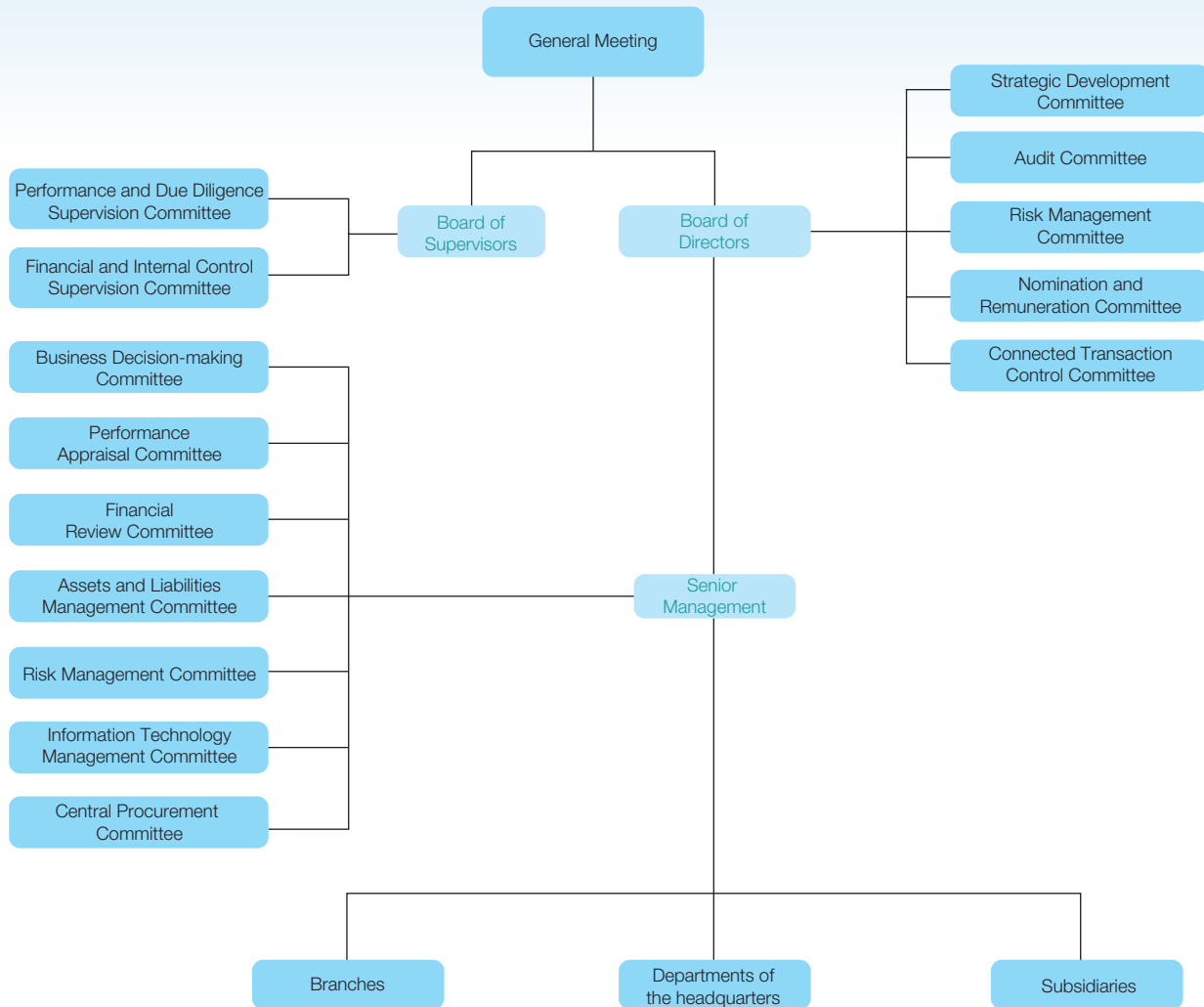
Corporate Governance Functions

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

8. Corporate Governance Report

8.1.2 Corporate Governance Structure

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



Note:

(1) The committees established under Senior Management are only partially listed in this table.

8.1.3 Amendments to the Articles

In order to implement the new spirit and new requirements of state-owned enterprise management and financial supervision, further consolidate the foundation of corporate governance and improve the corporate governance mechanism in the new era, the Company made amendments to the Articles in accordance with the Securities Law of the People's Republic of China, the Hong Kong Listing Rules, the Interim Measures for the Equity Management of Commercial Banks, the Corporate Governance Standards for Banking and Insurance Institutions and other relevant laws, regulations and regulatory requirements, and based on the governance practices of the Company. Meanwhile, based on the amendments to the Articles and corporate governance practices, the Company made corresponding amendments to the Rules of Procedures of General Meetings of China Cinda Asset Management Co., Ltd. (the “**Rules of Procedures of General Meetings**”), the Rules of Procedures of Board Meetings of China Cinda Asset Management Co., Ltd. (the “**Rules of Procedures of Board Meetings**”) and the Rules of Procedures of the Board of Supervisors Meetings of China Cinda Asset Management Co., Ltd. (the “**Rules of Procedures of the Board of Supervisors Meetings**”).

The resolutions regarding the amendments to the Articles, the Rules of Procedures of General Meetings, the Rules of Procedures of Board Meetings and the Rules of Procedures of the Board of Supervisors Meetings have been considered and approved at the 2022 fourth extraordinary general meeting on October 27, 2022. The amended Articles was approved by the CBIRC and came into effect on January 17, 2023. For details of the amendments to the Articles and relevant rules of procedures, please refer to the announcements and circular of the Company dated August 29, 2022, October 12, 2022, October 27, 2022 and February 6, 2023.

8.2 General Meeting

8.2.1 Responsibilities of General Meeting

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

8. Corporate Governance Report

8.2.2 Details of General Meetings

During the Reporting Period, the Company held seven general meetings in Beijing, including one annual general meeting, four extraordinary general meetings, one class meeting for Domestic Shareholders and one class meeting for H Shareholders, at which a total of 20 resolutions were considered and approved. The Company strictly complied with the legal procedures applicable to general meetings to ensure that shareholders were able to attend the meetings and exercise their rights. Shareholders voted at the general meetings by poll according to the Hong Kong Listing Rules, and they were fully informed of the voting procedures by poll. The Company engaged legal counsels to attend and attest general meetings and to issue legal opinions. Major resolutions considered and approved at the general meetings include:

- Extension of the validity period for the authorisation to deal with matters relating to the issuance of offshore preference shares;
- Issuance plan of tier-2 capital bonds;
- Capital management plan for 2022-2024;
- the external donation plan for 2022;
- the final financial account plan for 2021;
- the profit distribution plan for 2021;
- the budget of investment in capital expenditure for 2022;
- the appointment of accounting firms for 2022;
- the work report of the Board for 2021;
- the report of the Board of Supervisors for 2021;
- the election of Directors;
- the election of Supervisors;
- the amendments to the Articles;
- the amendments to the Rules of Procedures of General Meetings;

- the amendments to the Rules of Procedures of Board Meetings;
- the amendments to the Rules of Procedures of the Board of Supervisors Meetings.

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

8.2.3 Shareholders' Rights

Right to propose to convene extraordinary general meetings

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

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

Right to propose resolutions to general meetings

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

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

8. Corporate Governance Report

Right to propose to convene extraordinary Board meetings

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

Right to propose resolutions to Board meetings

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

Right to raise proposals and enquiries

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

Other rights

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

8.2.4 Attendance of Directors at General Meetings

Attendance of Directors at general meetings during the Reporting Period

Members of the Board	Number of meetings attended/ required to attend	Attendance rate
Executive Directors		
Zhang Weidong	6/7	86%
Liang Qiang	–	–
Zhao Limin	3/3	100%
Non-executive Directors		
He Jieping	7/7	100%
Wang Shaoshuang	7/7	100%
Chen Xiaowu	7/7	100%
Zhang Yuxiang	7/7	100%
Tang Jiang	1/1	100%
Liu Chong	7/7	100%
Independent Non-executive Directors		
Lu Zhengfei	6/7	86%
Lam Chi Kuen	7/7	100%
Wang Changyun	1/1	100%
Sun Maosong	1/1	100%
Directors Resigned during the Reporting Period		
Zhang Zi'ai	3/5	60%
Zhang Guoqing	6/6	100%
Zhu Wuxiang	6/6	100%
Sun Baowen	6/6	100%

Notes:

- Attendance includes on-site attendance and attendance through electronic means such as telephone or video conferences.
- Attendance rate is the number of meetings attended by Directors in person as a percentage of the total number of meetings required to attend.
- Mr. Zhang Zi'ai was absent from the 2022 second extraordinary general meeting and the 2021 annual general meeting due to health reasons; Mr. Zhang Weidong was absent from the 2022 third extraordinary general meeting due to important temporary work arrangements; Mr. Lu Zhengfei was absent from the 2022 fourth extraordinary general meeting due to important temporary work arrangements.

8. Corporate Governance Report

8.2.5 Independence from Controlling Shareholder

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

8.3 Board

8.3.1 Composition and Responsibilities of the Board

As at the Latest Practicable Date, the Board has 13 members, including three executive Directors, namely Mr. Zhang Weidong (Chairman), Mr. Liang Qiang and Mr. Zhao Limin, five non-executive Directors, namely Mr. He Jieping, Mr. Wang Shaoshuang, Mr. Chen Xiaowu, Ms. Zhang Yuxiang and Mr. Liu Chong and five independent non-executive Directors, namely Mr. Lu Zhengfei, Mr. Lam Chi Kuen, Mr. Wang Changyun, Mr. Sun Maosong and Ms. Shi Cuijun.

On May 18, 2022, Mr. Zhao Limin was elected as an executive Director at the 2022 second extraordinary general meeting and approved by the CBIRC. Immediately following his appointment, the Company was unable to comply with Rule 3.10A of the Hong Kong Listing Rules, which requires that the Company must appoint independent non-executive directors representing at least one-third of the Board. On June 28, 2022, immediately following the 2021 annual general meeting, the Company has satisfied the requirements of Rule 3.10A of the Hong Kong Listing Rules.

On October 27, 2022, Mr. Liang Qiang was elected as an executive Director at the 2022 fourth extraordinary general meeting. Immediately following his appointment, the Company was unable to comply with Rule 3.10A of the Hong Kong Listing Rules, which requires that the Company must appoint independent non-executive directors representing at least one-third of the Board. Pursuant to Rule 3.11 of the Hong Kong Listing Rules, the Company shall appoint a sufficient number of independent non-executive directors within three months after failing to comply with the requirements under Rule 3.10A to re-compliance with the above requirement. The Company has applied to, and The Stock Exchange of Hong Kong Limited has approved, an extension of time for the Company to comply with the requirements under Rule 3.10A and Rule 3.11 of the Hong Kong Listing Rules in relation to the number of independent non-executive directors until April 30, 2023. On March 26, 2023, the Company has satisfied the requirements of Rule 3.10A of the Hong Kong Listing Rules.

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

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

8.3.2 Diversity of Members of the Board

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

The Company recognises the importance and benefits of having a diversified Board. The nomination policy and the diversity policy of the Company can ensure the availability of potential successors to the Board to continue the existing diversity of the Board. To improve the effectiveness of the Board and the corporate governance, the Company strives to ensure diversity in the composition of the Board when selecting candidates for Directors. It also considers various factors including but not limited to the age, knowledge, cultural and educational background, professional and industry experience and gender, in order to ensure that the Board members are equipped with appropriate skills, experience, diversified perspectives and opinions. The Nomination and Remuneration Committee evaluates the structure, size and composition of the Board as well as the performance of Directors and the independence of independent non-executive Directors and the improvement in the diversity of the Board annually.

The diversity of the Company's employees is set out in "Management Discussion and Analysis" – "Human Resources Management" in this report.

8. Corporate Governance Report

8.3.3 Board Meetings

During the Reporting Period, the Board held 13 meetings, including four regular meetings and nine extraordinary meetings, at which 57 resolutions were passed and 24 work reports were reviewed. Before the meetings, Directors had been appropriately provided with notice and information necessary for making an informed decision in time. Among the resolutions passed, there were 19 resolutions on operational and management matters, four resolutions on major transactions, nine resolutions on work reports, 13 resolutions on the nomination of candidates, one resolution on remuneration and insurance matters and 11 resolutions on other matters. The major matters were as follows:

- the final financial account plan and the profit distribution plan for 2021 and the budget of investment in capital expenditure for 2022;
- the 2021 annual report (annual results announcement) and the 2022 interim report (interim results announcement);
- the work report of the Board, risk management report, internal control evaluation report, report on compliance management and social responsibility report for 2021;
- the internal audit work plan for 2022;
- the Risk Appetite Statement, the risk management policies and the risk limit management plan for 2022;
- the issuance plan of tier-2 capital bonds;
- the amendments to the Articles, the Rules of Procedures of General Meetings and the Rules of Procedures of Board Meetings;
- the appointment of accounting firms for 2022;
- the nomination of candidates for Directors and the election of members of special committees of the Board;
- the election of the Chairman and the appointment of the President;
- reviewing the reports on the implementation of proposals passed at previous Board meetings and identification of connected persons of the Company.

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

8.3.4 Directors' Attendance at Board Meetings

Directors' Attendance at Board Meetings during the Reporting Period

Members of the Board	Number of meetings attended/ required to attend	Attendance rate
Executive Directors		
Zhang Weidong	13/13	100%
Liang Qiang	2/2	100%
Zhao Limin	6/8	75%
Non-executive Directors		
He Jieping	13/13	100%
Wang Shaoshuang	13/13	100%
Chen Xiaowu	13/13	100%
Zhang Yuxiang	13/13	100%
Tang Jiang	3/3	100%
Liu Chong	13/13	100%
Independent Non-executive Directors		
Lu Zhengfei	13/13	100%
Lam Chi Kuen	13/13	100%
Wang Changyun	3/3	100%
Sun Maosong	3/3	100%
Directors Resigned during the Reporting Period		
Zhang Zi'ai	5/6	83%
Zhang Guoqing	9/10	90%
Zhu Wuxiang	10/10	100%
Sun Baowen	10/10	100%

Notes:

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

8. Corporate Governance Report

8.4 Special Committees of the Board

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

8.4.1 Strategic Development Committee

As at the Latest Practicable Date, the Strategic Development Committee has ten Directors. Mr. Zhang Weidong (Chairman) serves as the chairman. The members include Mr. Liang Qiang, an executive Director, Mr. He Jieping, Mr. Wang Shaoshuang, Mr. Chen Xiaowu, Ms. Zhang Yuxiang, and Mr. Liu Chong, non-executive Directors, Mr. Lam Chi Kuen, Mr. Sun Maosong and Ms. Shi Cuijun, independent non-executive Directors.

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

During the Reporting Period, the Strategic Development Committee held seven meetings to consider 18 resolutions, mainly including the final financial account plan for 2021, the annual consolidated operation plan of the Group for 2022, the budget of investment in capital expenditure for 2022, the Group consolidated management report for 2021, the capital management plan for 2022-2024, the issuance plan of tier-2 capital bonds, and debriefed on four reports including the 2021 corporate governance report.

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Members' attendance at Strategic Development Committee meetings during the Reporting Period

Members	Number of meetings attended/ required to attend	Attendance rate
Zhang Weidong	4/4	100%
Liang Qiang	2/2	100%
He Jieping	7/7	100%
Wang Shaoshuang	7/7	100%
Chen Xiaowu	7/7	100%
Zhang Yuxiang	7/7	100%
Tang Jiang	2/2	100%
Liu Chong	7/7	100%
Lam Chi Kuen	7/7	100%
Sun Maosong	2/2	100%
Members Resigned during the Reporting Period		
Zhang Zi'ai	3/3	100%
Zhang Guoqing	4/5	80%
Sun Baowen	5/5	100%

Notes:

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

8.4.2 Audit Committee

As at the Latest Practicable Date, the Audit Committee consists of five Directors. Mr. Lu Zhengfei (independent non-executive Director) serves as the chairman. The members include Mr. He Jieping, non-executive Director, Mr. Lam Chi Kuen, Mr. Wang Changyun and Ms. Shi Cuijun, independent non-executive Directors.

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

8. Corporate Governance Report

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

During the Reporting Period, the Audit Committee held four meetings to review ten resolutions including the 2021 annual report (annual results announcement), the internal control evaluation report for 2021, the risk management report for 2021, the internal audit work plan for 2022, the appointment of accounting firms for 2022, the 2022 interim report (interim results announcement), and debriefed on 11 reports including the report on internal audit work for 2021, auditor's report on the Company's 2021 management recommendations, 2022 interim financial statements review plan, and 2022 financial statements audit plan.

On March 27, 2023, the Audit Committee held a meeting to resolve the submission of the 2022 annual financial report to the Board for review. The Audit Committee together with the Board and the external auditing firms jointly reviewed the accounting standards and practice adopted by the Group and the audited Consolidated Financial Statements for the year ended December 31, 2022.

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

8. Corporate Governance Report

Members' attendance at Audit Committee meetings during the Reporting Period

Members	Number of meetings attended/ required to attend	Attendance rate
Lu Zhengfei	4/4	100%
He Jieping	4/4	100%
Tang Jiang	1/1	100%
Lam Chi Kuen	4/4	100%
Wang Changyun	1/1	100%
Member Resigned during the Reporting Period		
Sun Baowen	3/3	100%

Notes:

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

8.4.3 Risk Management Committee

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

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

8. Corporate Governance Report

During the Reporting Period, the Risk Management Committee held five meetings to review eight resolutions, mainly including the 2021 risk management report, the internal control evaluation report for 2021, the Risk Appetite Statement of the Group (2022), the risk management policy of the Group for 2022, the recovery plan of the Company (2022) and debriefed on six reports including the quarterly risk management reports and the anti-money laundering work report for 2021.

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

Members' attendance at Risk Management Committee meetings during the Reporting Period

Members	Number of meetings attended/	
	required to attend	Attendance rate
He Jieping	5/5	100%
Zhao Limin	2/2	100%
Wang Shaoshuang	5/5	100%
Lu Zhengfei	5/5	100%
Sun Maosong	1/1	100%
Members Resigned during the Reporting Period		
Zhang Weidong	3/3	100%
Zhang Guoqing	3/3	100%

Notes:

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

8.4.4 Nomination and Remuneration Committee

As at the Latest Practicable Date, the Nomination and Remuneration Committee consists of four Directors. Mr. Sun Maosong (independent non-executive Director) serves as the chairman. The members include Mr. Chen Xiaowu, a non-executive Director, Mr. Wang Changyun and Ms. Shi Cuijun, independent non-executive Directors.

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

During the Reporting Period, the Nomination and Remuneration Committee held seven meetings to consider 13 resolutions, mainly including the nomination of candidates for the Directors, the nomination of members for special committees of the Board, preliminary review of the eligibility of the President, and renewal of liability insurance for Directors, Supervisors and Senior Management, discussed the structure and composition of the Board as well as the performance of Directors and the independence of independent non-executive Directors, and listened to the debriefing on the 2022 work plan of the Nomination and Remuneration Committee.

Members' attendance at Nomination and Remuneration Committee meetings during the Reporting Period

Members	Number of meetings attended/ required to attend	Attendance rate
Sun Maosong	3/3	100%
Chen Xiaowu	7/7	100%
Wang Changyun	3/3	100%
Members Resigned during the Reporting Period		
Sun Baowen	4/4	100%
Zhu Wuxiang	4/4	100%

Notes:

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

8. Corporate Governance Report

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

1. Candidates for Directors shall be nominated through the proposal with their detailed information including factors such as:
 - personal particulars such as educational background, working experience and any concurrently holding position;
 - whether there are any connected relationships with the Company or the controlling shareholder and de facto controller of the Company;
 - their shareholdings in the Company; and
 - any penalty or punishment imposed by the securities regulatory authorities of the State Council, and other relevant authorities and/or the stock exchanges.
2. A candidate for Director shall, prior to the convening of the general meeting, give a written undertaking letter stating that he/she has agreed to accept the nomination and that the personal information as publicly disclosed is true and complete, and warrant that he/she will duly perform his/her duties as a Director after he/she is elected. A written notice of the intention to nominate a candidate for Director and the willingness of the candidate to be elected as well as the written documents of the basic information of the candidate shall be given to the Company not less than ten days prior to the date of the general meeting;
3. The Company shall disclose the detailed information on the candidates of Directors to shareholders at least seven days before convening the general meeting to ensure that shareholders will have an adequate understanding of the candidates when they cast their votes;
4. The length of the period (starting from the next day after publishing the notice for convening a general meeting), during which the nominators and the candidates of Directors are allowed to submit the aforesaid notice and documents, shall be at least seven days;
5. The general meeting shall consider and vote on the election of each candidate by way of a separate resolution; and
6. A candidate for Director shall act as a Director upon approval at the general meeting and his/her qualification approved by the regulatory authorities.

8.4.5 Connected Transaction Control Committee

As at the Latest Practicable Date, the Connected Transaction Control Committee consists of four Directors. Mr. Wang Changyun (independent non-executive Director) serves as the chairman. The members include Ms. Zhang Yuxiang, a non-executive Director, Mr. Lu Zhengfei and Mr. Lam Chi Kuen, independent non-executive Directors.

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

During the Reporting Period, the Connected Transaction Control Committee held seven meetings to consider 11 resolutions that included material connected transactions, matters relating to the identification of connected persons of the Company and the connected transactions management report for 2021, and to debrief on seven reports including the quarterly reports on connected transactions.

Members' attendance at Connected Transaction Control Committee meetings during the Reporting Period

Members	Number of meetings attended/	
	required to attend	Attendance rate
Wang Changyun	2/2	100%
Zhang Yuxiang	7/7	100%
Lu Zhengfei	7/7	100%
Lam Chi Kuen	3/3	100%
Member Resigned during the Reporting Period		
Zhu Wuxiang	5/5	100%

Notes:

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

8. Corporate Governance Report

8.5 Board of Supervisors

8.5.1 Duties of the Board of Supervisors

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

8.5.2 Composition of Board of Supervisors

As at the date of this report, the Board of Supervisors consists of seven Supervisors, including three external Supervisors, namely Mr. Zhen Qinggui, Mr. Liu Li and Mr. Cai Xiaoqiang and four employee Supervisors, namely Ms. Gong Hongbing, Mr. Lu Baoxing, Mr. Yuan Liangming and Ms. Zhou Lihua.

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

8.5.3 Meetings of the Board of Supervisors

In 2022, the Board of Supervisors held eight meetings and approved 18 resolutions, including the work focus of the Board of Supervisors for 2022, the legal compliance for 2021, the final financial account plan for 2021, the profit distribution plan for 2021, the internal control evaluation report for 2021, the report on the performance of Directors, Supervisors and Senior Management for 2021, the report of the Board of Supervisors for 2021, the 2021 annual report (annual results announcement), the 2022 interim report (interim results announcement), and the nomination of candidates for Supervisors.

Supervisors' attendance at meetings of the Board of Supervisors during the Reporting Period

Supervisors	Number of meetings attended/	
	required to attend	Attendance rate
Zhen Qinggui	8/8	100%
Liu Li	4/4	100%
Cai Xiaoqiang	8/8	100%
Gong Hongbing	8/8	100%
Lu Baoxing	8/8	100%
Yuan Liangming	8/8	100%
Zhou Lihua	2/2	100%
Supervisors Resigned during the Reporting Period		
Gong Jiande	8/8	100%
Zhang Zheng	4/4	100%

Notes:

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

8.5.4 Special committees of the Board of Supervisors

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

8. Corporate Governance Report

Performance and Due Diligence Supervision Committee

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

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

During the Reporting Period, the Performance and Due Diligence Supervision Committee held six meetings and reviewed the following matters, including the report on the performance of Directors, Supervisors and Senior Management for 2021, and resolution on the nomination of candidates for Supervisors.

Financial and Internal Control Supervision Committee

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

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

During the Reporting Period, the Financial and Internal Control Supervision Committee held five meetings to review the following matters, including the final financial account plan for 2021, the internal control evaluation report for 2021, the 2021 annual report (annual results announcement) and the 2022 interim report (interim results announcement).

8.6 Chairman and President

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

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

As at the date of this report, Mr. Liang Qiang acts as the President and is responsible for the business operation and daily management of the Company. The President shall be appointed by the Board and is accountable to the Board. He shall perform his duties in accordance with the Articles and the authorization granted by the Board.

8.7 Senior Management

8.7.1 Composition and Duties of Senior Management

The Senior Management is the executive body of the Company and is accountable to the Board. As at the date of this report, the Senior Management comprises 11 members. For details of its composition, please see “Directors, Supervisors and Senior Management” – “Senior Management” in this report. There is a strict separation of power between the Senior Management and the Board. The Senior Management determines the operation management and decision-making matters within its duties and responsibilities as authorized by the Board. The Senior Management includes President, Vice Presidents, assistants to the President, Chief Risk Officer, Board Secretary, Chief Financial Officer, etc. Other members of Senior Management perform their duties and take responsibilities according to the authorization of the President.

8.7.2 Supervision and Evaluation of the Performance of Directors and Senior Management

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

8. Corporate Governance Report

In accordance with the regulations such as Measures on the Performance Supervision of the Board of Supervisors and the Focus of the Performance Supervision of the Directors, Supervisors and Senior Management for 2022, the Board of Supervisors conducted supervision over the performance of the Board, Senior Management and its members through attending the general meetings, presenting at the Board meetings, meetings of its special committees and the meetings of Senior Management, examining the minutes and records of the meetings, and performance reports of Director and Senior Management, and also through daily supervision arrangements.

8.7.3 Remuneration of Directors and Senior Management

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

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

8.8 Risk Management

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

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

8.9 Internal Control

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

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

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

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

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

8. Corporate Governance Report

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

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

During the Reporting Period, the Company continued to optimize its internal control management and promote the continuous improvement in its internal control system.

The Company continued to improve the top-level design of the system, strictly followed the regulatory spirit, deeply analyzed the weak links in operation and management, comprehensively carried out system re-inspection, focused on strengthening the management of key positions and personnel, strengthened the risk prevention and control of key business links, and improved the internal control mechanism. On this basis, the Company selected 60 key systems, carried out in-depth system re-evaluation, continuously improved the completeness and systematization of the Company's systems, and consolidated the foundation of the Company's high-quality development. In addition, the Company preliminarily explored the establishment of a compliance monitoring system, monitored the compliance management of operating units through process and result indicators and implemented policies by category to improve the foresight and effectiveness of compliance management; accurate accountability for key issues to effectively play the role of accountability and warning.

According to the Guidelines for the Evaluation of Internal Control of Enterprises, the CG Code, the Guidelines for Internal Control of Commercial Banks and the Notice on Further Improving the Effectiveness of Internal Control over Financial Reporting of Listed Companies (Cai Kuai [2022] No. 8) issued by MOF and the internal control system of the Company, the Company worked out the Implementation Plan for Internal Control Evaluation for 2022. The scope of evaluation in 2022 incorporated the main business lines, products, and high-risk areas of each department of the headquarters, branches and subsidiaries. The Company identified defects in internal control, actively implemented the rectification, and optimized the establishment and implementation of internal control, by organizing and conducting the comprehensive self-assessment, on-site (off-site) tests and inspection of key aspects.

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

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

8.10 Internal Audit

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

In 2022, the Company continuously explored the new forms and ways of the organization of internal audits, and fully completed the annual internal audit as scheduled. In accordance with the regulatory requirements and the corporate risk profile, with serving the development of the Company as core, the Company aimed to promote the establishment of a sound and effective risk management mechanism, internal control system and corporate governance procedures, and fully leverage the supervisory, appraisal and advisory functions of internal audit.

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

Carrying out special audits. In accordance with the regulatory requirements, the Company, with the goal of strengthening the construction of risk prevention and control and compliance, centering on the major and difficult points in its operation and management, completed the special audits of the settlement of the institution and layer contraction of the Group, centralized procurement management and management of the Group's connected (internal) transactions.

Carrying out economic responsibility audits. Strengthening the supervision of the performance of cadres, continuously improving the audit system for the economic responsibilities of major cadres and carried out the economic responsibility audits and audits of outgoing officials.

8. Corporate Governance Report

Further improving internal audit system. In accordance with regulatory requirements and the realities of the Company, the Company formulated the Internal Audit Work Development Plan (2022-2024) and completed the addition and revision of the internal audit system in time, established the audit talent pool management mechanism, continued to promote the construction of its internal audit teams, improved audit management information systems to further improve the quality and efficiency of the audit work

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

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

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

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

8.13 Communication with Shareholders

8.13.1 Shareholders' Communication Policy

The Company has formulated relevant systems including the Information Disclosure Policy and the Provisional Measures of Investor Relations Work, and ensured that shareholders can obtain appropriate and comprehensive information in a timely manner through various means such as convening general meetings and carrying out information disclosure and investor relations work, which effectively protected shareholders' right to know and facilitated communication between shareholders and the Company.

The Company reviewed annually the effectiveness of the shareholders' communication system and related work such as information disclosure and investor relations, and considered such policies effective and adequate.

8.13.2 Information Disclosure and Investor Relations

The Company has carried out information disclosure and investor relations management, in strict compliance with regulatory provisions and the internal requirements. The Company also communicated and interacted with shareholders and potential investors through various channels to assist them in making rational investment decisions and to protect investors' rights and interests.

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

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

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

8. Corporate Governance Report

8.13.3 Contacts of Board of Directors' Office

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

The Board of Directors' Office of China Cinda Asset Management Co., Ltd.

Address: No. 1 Building, 9 Naoshikou Street, Xicheng District, Beijing, PRC

Tel.: (86)10-63080528

Email address: ir@cinda.com.cn

8.14 Auditor's Remuneration

As approved by the 2021 annual general meeting, the Company had appointed Ernst & Young Hua Ming LLP and Ernst & Young (collectively "**Ernst & Young**") as its domestic and international auditors for 2022, respectively, to provide audit service of the annual financial statements, review of the interim financial statements, and audit of internal control as well as other professional services for the Company for the year of 2022. During the Reporting Period, the audit fee incurred with respect to the audit of financial statements and audit of internal control provided by Ernst & Young and its member firms amounted to a total of RMB41.67 million. The related fees incurred in respect of other verification services provided by Ernst & Young and its member firms amounted to a total of RMB2.08 million. In 2022, the fees incurred with respect to consulting services provided by Ernst & Young and its member firms amounted to a total of RMB2.41 million. There are no non-audit services provided by Ernst & Young and its member firms to the Group other than those mentioned above.

8.15 Responsibilities of Directors in respect of Financial Statements

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

8.16 Securities Transactions by Directors, Supervisors and Senior Management

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

8.17 The Independence of Independent Non-executive Directors

The Company established a mechanism to ensure that the Board can obtain independent views and opinions, fully protected the information rights of all Directors and provided assistance to Directors in obtaining external professional advice. The implementation and effectiveness of such mechanism was reviewed by the Board on an annual basis.

The Company continued to provide the necessary working conditions for the independent non-executive Directors to better perform their duties. In 2022, the independent non-executive Directors put forward professional and feasible opinions and suggestions for the Company's strategic planning, corporate governance, risk management, internal control and compliance, related party transaction management, internal and external audits, and Digital Cinda construction. At the same time, independent opinions were expressed on major issues such as profit distribution plan, major related party transactions, nomination of candidates for Directors, appointment of Senior Management and appointment of external auditors, in which way the independent non-executive Directors played a leading and promoting role in the standardized and scientific operation and the optimization and upgrading of the decision-making mechanism of the Board, as well as the long-term stable development of the Company.

The Company attached great importance to and continuously improved the communication mechanism with independent non-executive Directors, and strove to protect the Directors' right to know. The Company regularly reported to the Directors on the operation results, organized the Directors to conduct investigation in branches and subsidiaries, arranged relevant business training, so as to facilitate the independent non-executive Directors to have an in-depth understanding of the Company's operation, timely understand the changes in the regulatory policies and the market economic environment, and continuously improved their ability to perform their duties. The Company has established a mechanism to safeguard the implementation of the suggestions of the Directors, and has responded and adopted the recommendations and opinions of all Directors, including the independent non-executive Directors, in a timely manner.

When nominating independent non-executive Directors, the Board paid special attention to the number of Directors who were concurrently serving as directors of other institutions. The Company set out the minimum time required for independent non-executive Directors to work for the Company every year, and regularly reviewed the composition of the Board and the independence of independent non-executive Directors.

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

8. Corporate Governance Report

8.18 Training for Directors

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

Members of the Board during the Reporting Period	Domestic and overseas environment and Macro-economy	Financial and distressed assets management industry	Regulatory requirements and performance of directors	Finance, accounting, law, information technology
Executive Directors				
Zhang Weidong	✓	✓	✓	✓
Liang Qiang	✓	✓	✓	✓
Zhao Limin	✓	✓	✓	✓
Non-executive Directors				
He Jieping	✓	✓	✓	✓
Wang Shaoshuang	✓	✓	✓	✓
Chen Xiaowu	✓	✓	✓	✓
Zhang Yuxiang	✓	✓	✓	✓
Tang Jiang	✓	✓	✓	✓
Liu Chong	✓	✓	✓	✓
Independent Non-executive Directors				
Lu Zhengfei	✓	✓	✓	✓
Lam Chi Kuen	✓	✓	✓	✓
Wang Changyun	✓	✓	✓	✓
Sun Maosong	✓	✓	✓	✓
Directors Resigned during the Reporting Period				
Zhang Zi'ai	✓	✓	✓	✓
Zhang Guoqing	✓	✓	✓	✓
Zhu Wuxiang	✓	✓	✓	✓
Sun Baowen	✓	✓	✓	✓

8.19 Company Secretary

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

9. Report of the Board of Directors

9.1 Principal Business

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

9.2 Profit and Dividend Distribution

The profit and financial condition of the Group for the year ended December 31, 2022 are set out in the section headed “Management Discussion and Analysis” – “Analysis of Financial Statements” in this report.

Having considered the long-term development requirement and the interests of investors of the Company, the Board proposed to distribute cash dividends for 2022 in the amount of RMB0.4963 per 10 shares (tax inclusive) to holders of Domestic Shares and H Shares whose names appear on the register of members on the record date, representing total cash dividends of approximately RMB1.894 billion on the basis of 38,164,535,147 Domestic Shares and H Shares in issue on December 31, 2022.

The profit distribution plan for 2022 of the Company shall be subject to approval by the annual general meeting for 2022. Subject to the approval, the cash dividend for 2022 is expected to be distributed on or around August 18, 2023 to the holders of Domestic Shares and H Shares whose names appear on the register of members of the Company on the record date for dividend distribution. The cash dividend will be denominated and declared in Renminbi and will be paid in Renminbi to holders of Domestic Shares and in Hong Kong dollars to holders of H Shares. The amount of Hong Kong dollar will be calculated on the basis of the average basic exchange rate between Renminbi and Hong Kong dollar quoted by PBOC one week prior to the date of the annual general meeting for 2022 (including the date of the meeting).

The Company will announce the date of the annual general meeting for 2022 and the period of closure of register of members of the Company for the determination of the entitlement of shareholders to attend the annual general meeting for 2022 and to vote thereon and the period of closure of registered of members of the Company to determine the entitlement of shareholders for 2022 cash dividends in due course.

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

9. Report of the Board of Directors

For individual holders of H Shares, pursuant to the Individual Income Tax Law of the People's Republic of China, the Implementation Regulations of the Individual Income Tax Law of the People's Republic of China, other laws and regulations and relevant regulatory documents promulgated by the State Administration of Taxation of the PRC, the Company shall, as a withholding agent, withhold and pay individual income tax at the rate of 10% for the individual holders of H Shares in respect of the dividend for 2022 to be distributed to them. The individual holders of H Shares may be entitled to certain tax preferential treatments pursuant to the tax treaties between the PRC and the countries (regions) in which the individual holders of H Shares are domiciled and the tax arrangements between mainland China, Hong Kong or Macao.

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

China Securities Depository and Clearing Corporation Limited is the nominee of the Company's H Shares held by investors of H Shares of Southbound Trading, and the Company will then re-distribute the 2022 cash dividends to the relevant investors of H Shares of Southbound Trading through its depository and clearing system. Pursuant to the relevant requirements of the Notice on the Tax Policies Related to the Pilot Program of the Shanghai-Hong Kong Stock Connect (Caishui [2014] No. 81) and the Notice on the Tax Policies Related to the Pilot Program of the Shenzhen-Hong Kong Stock Connect (Caishui [2016] No. 127), the Company shall withhold and pay individual income tax at the rate of 20% on behalf of domestic individual investors. For domestic securities investment funds, the tax payable shall be the same as that for individual investors. The Company will not withhold and pay the income tax of dividends for domestic enterprise investors which shall report and pay the relevant tax themselves. The record date and the date of distribution of cash dividends and other arrangements for the investors of Southbound Trading will be the same as those for the holders of H Shares of the Company.

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

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

9. Report of the Board of Directors

9.3 Distributable Reserves

Details of 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.

9.4 Financial Summary

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

9.5 Donations

Donations made by the Group for the year ended December 31, 2022 amounted to RMB23.183 million.

9.6 Property and Equipment

None of the percentage ratios (as defined under Rule 14.04(9) of the Hong Kong Listing Rules) of the properties held by the Group exceeds 5%. Details in relation to the changes in property and equipment of the Group for the year ended December 31, 2022 are set out in Note VI. 39 “Property and equipment” to the Consolidated Financial Statements.

9.7 Pension Plan

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

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

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

9. Report of the Board of Directors

9.8 Major Clients and Suppliers

During the Reporting Period, the combined revenue from the top five clients of the Company did not exceed 30% of its total revenue for 2022. Due to the nature of the Company's business, the Company had no major suppliers. There are no clients, suppliers, employees or others who have a significant impact on the Group and on which the Group's success depends.

9.9 Share Capital and Public Float

As at December 31, 2022, the Company had a total of 38,164,535,147 shares in issue. Please see "Changes in Share Capital and Information on Substantial Shareholders" in this report for details. As at the Latest Practicable Date, based on the information available to the Company, the public float of the Company was not lower than 25% and in compliance with the relevant laws and regulations and the requirement of the Hong Kong Listing Rules.

9.10 Pre-emptive Right

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

9.11 Purchase, Sale and Redemption of Listed Securities

During the Reporting Period, neither the Company nor its subsidiaries has purchased, sold or redeemed any listed securities of the Company or its subsidiaries.

9.12 Equity-linked Agreement

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

During the Reporting Period, the Company did not enter into any equity-linked agreement. As at December 31, 2022, the Company did not have any other such agreement subsisted.

9. Report of the Board of Directors

9.13 Issuance of Securities

9.13.1 Issuance of Securities of the Company

With the approval of the 2020 second extraordinary general meeting, and approved by the CBIRC and PBOC, the Company issued onshore undated capital bonds with an amount of RMB12 billion in the national interbank bond market on February 24, 2022 and the proceeds raised were used to replenish the Company's other Tier 1 capital. For details, please refer to the Company's announcements, circulars and notices dated December 3, 2020, December 22, 2020, April 6, 2021 and February 24, 2022.

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

9.13.2 Issuance of Securities of Subsidiaries

Cinda Securities completed its initial public offering of a total of 324,300,000 RMB ordinary shares on January 20, 2023, representing 10% of the total number of shares after the offering. The offer price of Cinda Securities is RMB8.25 per share and the gross proceeds from it were RMB2,675,475,000, which would be used to replenish the capital of Cinda Securities to increase the working capital and develop the main business. The RMB ordinary shares were listed and traded on the SSE on February 1, 2023. For details, please refer to the announcements of the Company dated August 5, 2020, November 27, 2020, December 28, 2020, June 30, 2022, December 16, 2022 and February 1, 2023.

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

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

9.14 Material Interests and Short Positions

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

9.15 Use of Proceeds

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

9. Report of the Board of Directors

9.16 Borrowings

The borrowings of the Group as at December 31, 2022 amounted to approximately RMB615.36 billion. Details of the borrowings are set out in Note VI. 49 “Borrowings” to the Consolidated Financial Statements.

9.17 Directors, Supervisors and Senior Management

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

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

As at December 31, 2022, none of the Directors, Supervisors or Chief Executive Officer had any interests or short positions in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Hong Kong SFO), which was required to be recorded in the register kept by the Company pursuant to Section 352 of the Hong Kong SFO or otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to Appendix 10 Model Code for Securities Transactions by Directors of Listed Companies to the Hong Kong Listing Rules.

9.19 Interests in Transactions, Arrangements or Contracts and Service Contracts of Significance of Directors and Supervisors

In 2022, none of the Directors and Supervisors (or their connected entities) had any material interests, directly or indirectly, in any major transactions, arrangements or contracts (except service contracts) regarding the business of the Group entered into by the Company or any of its controlling companies, subsidiaries or fellow subsidiaries.

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

9.20 Interests of Directors in Business Competing with the Company

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

9. Report of the Board of Directors

9.21 Material Contracts with Controlling Shareholders

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

9.22 Management Contracts

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

9.23 Remuneration Policy of Directors, Supervisors and Senior Management

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

9.24 Relationship between Directors, Supervisors and Senior Management

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

9.25 Indemnity for Directors, Supervisors and Senior Management

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

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

9.26 Connected Transactions

In order to further improve the quality and liquidity of the DES Assets of the Company, the Company, as one of the existing shareholder of Huainan Mining Industry (Group) Co., Ltd. (“**Huainan Mining Group**”), together with other existing shareholders of Huainan Mining Group, collectively as parties to the agreement, entered into the Absorption and Merger Agreement between Huaihe Energy (Group) Co., Ltd. and Huainan Mining Industry (Group) Co., Ltd. (“**Absorption and Merger Agreement**”) with Huainan Mining Group and Huaihe Energy (Group) Co., Ltd. (“**Huaihe Energy**”) on February 21, 2022, pursuant to which, Huaihe Energy, Huainan Mining Group and the existing shareholders of Huainan Mining Group including the Company (collectively referred to as the “**Parties**”) agreed that Huaihe Energy would absorb and merge Huainan Mining Group by issuing shares and/or convertible corporate bonds (if any) and paying cash to all the existing shareholders of Huainan Mining Group, including the Company. Upon completion of the absorption and merger, the Company would become a shareholder of Huaihe Energy.

As Huainan Mining Group held more than 10% of equity interest in Cinda Real Estate, according to Chapter 14A of the Hong Kong Listing Rules, Huainan Mining Group constituted a connected person at the subsidiary level of the Company. At the same time, Huainan Mining Group held 56.61% of equity interest in Huaihe Energy, and therefore, Huaihe Energy was an associate of such connected person, the absorption and merger was subject to the reporting and announcement requirements but exempt from circular, advice from independent financial advisor and shareholders’ approval requirements.

On June 20, 2022, the Parties entered into the Supplemental Agreement to the Absorption and Merger Agreement between Huaihe Energy (Group) Co., Ltd. and Huainan Mining Industry (Group) Co., Ltd. (the “**Supplemental Agreement**”). On the basis of the appraised value approved by Anhui SASAC, the Parties negotiated and determined that the consideration for Huaihe Energy to absorb and merge 100% equity interests of Huainan Mining Group was RMB40,934,421,670.79, with the share issue price and the initial conversion price of the convertible corporate bonds of RMB2.60 per share, in which, the transaction considerations of RMB500,000,000.00, RMB38,859,114,770.79 and RMB1,575,306,900.00 were paid in cash, by issuing shares and by issuing convertible corporate bonds, respectively. The other main terms of the Absorption and Merger Agreement will remain unchanged and effective.

On November 28, 2022, the Parties entered into the Termination Agreement regarding the Absorption and Merger Agreement and the Supplemental Agreement between Huaihe Energy (Group) Co., Ltd. and Huainan Mining Industry (Group) Co., Ltd. (the “**Termination Agreement**”). Pursuant to the Termination Agreement, as the Absorption and Merger Agreement and the Supplemental Agreement had not yet been effective, the Parties unanimously agree to terminate the Absorption and Merger Agreement and the Supplemental Agreement and should not be mutually subject to any default liability for the agreement termination. The entering into and performance of the Termination Agreement did not constitute a basis for one party to claim any fees or payments against other parties. The Termination Agreement was established and effective on the date of signing by each of the legal representatives or authorized representatives of the Parties with their respective official seals affixed.

9. Report of the Board of Directors

For details of this absorption and merger and its termination, please refer to the Company's announcements dated February 22, 2022, June 21, 2022 and November 28, 2022.

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

To further focus on the core business of distressed assets, achieve project fund recovery and obtain operation income, and improve the capital utilization efficiency, the Company entered into a transfer agreement with Wuhu Xinhui Investment Partnership (Limited Partnership) ("**Xinhui Fund**") and the winning bidder Huaihe Energy Holding Group Co., Ltd. ("**Huaihe Holding**") on March 22, 2023 based on the results of the public listing on the JD.COM Asset Disposal Platform. Accordingly, the Company agreed to sell to Huaihe Holding all of the preference shares of the Xinhui Fund held by the Company (RMB3,519.5 million) and its interests therein. The transfer price was the sum of the preference shares of RMB3,519.5 million and the outstanding current underlying earnings receivable. Upon completion of the transfer, the Company would no longer hold the preference shares of Xinhui Fund, but still held RMB235.8 million of subordinate shares of Xinhui Fund. Huaihe Holding is going to negotiate and re-enter into a partnership agreement with the parties to the original partnership agreement in connection with the transfer.

As Huainan Mining Group holds more than 10% of equity interest in Cinda Real Estate, according to Chapter 14A of the Hong Kong Listing Rules, Huainan Mining Group constituted a connected person at the subsidiary level of the Company. At the same time, Huaihe Holding was the controlling shareholder of Huainan Mining Group, therefore Huaihe Holding was an associate of such connected person. The transaction was subject to the reporting and announcement requirements but exempt from circular, advice from independent financial advisor and shareholders' approval requirements. For details of the transaction, please refer to the Company's announcement dated March 22, 2023.

9.27 Social Responsibility

Thoroughly implementing new development concept, adhering to the mission of "providing excellent service for customers, creating best return for shareholders, building a development platform for employees, resolving financial risks for the country, and assuming greater responsibility for the society", the Company deepened the shouldering of social responsibilities in preventing and defusing risks, serving the real economy, caring for the growth of employees, developing green finance, supporting rural revitalization. Great results have been achieved. In 2022, the Company was named in the Fortune's China ESG Impact List and Forbes China ESG50 List.

9. Report of the Board of Directors

The Company actively implemented the concept of green development and sustainable development strategy, proactively responded to the challenges of climate change, adhered to the business orientation of supporting green and low-carbon industries, gave full play to the advantages of the main business with preferential resources, to increase investment in green enterprises and projects such as new energy and clean energy, and continuously improved the financial service capability to support the “dual-carbon” goal. The Company continued to practice the concept of green and low-carbon office, implemented resource conservation measures in various aspects, improved resource and energy utilization efficiency, and strove to reduce resource consumption and waste emissions in office operations to build a green enterprise.

For detailed information on the Company’s performance in implementing social responsibility and the environmental, social and governance requirements of the Hong Kong Stock Exchange, please refer to the 2022 Corporate Social Responsibility (ESG) Report of China Cinda to be published separately.

9.28 Compliance with Relevant Laws and Regulations

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

9.29 Auditors

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

9.30 Statement for Changes of Auditors in the Past Three Years

As approved at the annual general meeting for 2021 on June 28, 2022, the Company re-appointed Ernst & Young Hua Ming LLP and Ernst & Young (collectively, “**Ernst & Young**”) as its domestic and international auditors for 2022, respectively, to provide the audit of the annual financial statements, review of the interim financial statements, audit of internal control and other relevant services to the Company for 2022. By 2022, Ernst & Young has provided audit services to the Company for eight consecutive years.

By Order of the Board
ZHANG Weidong
Chairman

March 28, 2023

10. Report of the Board of Supervisors

In 2022, the Board of Supervisors followed the guidance of Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era, insisted on the political and people-oriented nature of financial work, focused on the main responsibilities and core business, prevented and defused financial risks, and supported real economy development. The Board of Supervisors, in accordance with the laws, regulations and the Articles, conscientiously implemented the inspection and rectification to perform its supervisory duties, continuously enhanced the supervision effectiveness, promoted the in-depth integration between Party construction and corporate governance, and facilitated the compliant operation of the Company.

10.1 Major Work Completed

Convene the Board of Supervisors meetings in accordance with the law. The Board of Supervisors held eight meetings in 2022, and considered 18 resolutions, including the Company's regular reports, internal control evaluation report, performance evaluation reports and the nomination of Supervisors. The Performance and Due Diligence Supervision Committee held six meetings and the Finance and Internal Control Supervision Committee held five meetings. Three other special meetings were also held. The Board of Supervisors focused such work priorities as the implementation of major national decisions and arrangements, prevention and mitigation of major risks, solid promotion of inspection and rectification, kept abreast of the Company's main operating conditions, challenges and measures in a timely manner, and put forward opinions and suggestions. Supervisors performed their duties faithfully and diligently and provided independent opinions on the compliance operation, financial report, duty performance of relevant parties, and internal control of the Company for 2022 in accordance with the relevant laws and regulations.

Systematically perform the due diligence supervision. Supervisors earnestly attended general meetings, actively participated in important meetings such as the meetings of the Board and its special committees' meetings, the Company's working meetings, operational situation analysis meetings and regulatory agency's latest requirements briefings, Supervisors also continued deepening the due diligence supervision by carrying out seminars, researches and consulting materials. The Board of Supervisors revised the Measures on the Performance Supervision of the Board of Supervisors based on the latest regulatory requirements, further improved the performance evaluation mechanism, and promoted the improvement of corporate governance. The Board of Supervisors conducted annual performance evaluation, formulated the evaluation report on the annual performance of duties of the Board, the Board of Supervisors, Senior Management and their members in light of the routine regulation, and reported the evaluation of the performance of duties to the general meeting and the regulatory authorities in accordance with the regulations.

10. Report of the Board of Supervisors

Constantly strengthen financial supervision. The Board of Supervisors earnestly performed the duty of financial reporting supervision, maintained daily communication with the audit institution, continuously followed up on matters such as audit plans, major audit adjustments and audit results, and put forward opinions and suggestions on issues such as the establishment of a long-term mechanism for promoting the implementation of rectification and reflection on financial work in light of the problems found in the inspection and rectification. The Board of Supervisors regularly listened to the analysis of the Company's operation, paid attention to the Company's profitability and internal and external risks and challenges, provided opinions and suggestions on strengthening the guidance and publicity of business strategies of all business lines of the Company during the economic downturn, focusing on the impact of the current downturn of the real estate industry on the Company's business, and paying attention to the pressure of continuous decline in asset quality of the real estate business.

Practically carry out internal control and compliance supervision. Being concerned about the improvement of the internal control and compliance system, the Board of Supervisors regularly listened to reports on internal audit findings and rectifications, internal control evaluation and supervisory inspections, progress of rectification of disclosed problems, anti-money laundering, and case prevention to supervise the faithful rectification of key problems. The Board of Supervisors continued to follow up and conducted research on the Company's implementation of key regulatory measures of the CBIRC, summarized the problems existing in the operation of the Company according to the regulatory requirements, and put forward suggestions on the acquisition of financial distressed assets, the development quality of non-financial business, and the progress of disposal of endogenous distressed assets.

Constantly deepen risk management supervision. Paying continuous attention to the impact of the external environment on the Company's operation and development in the new situation, the Board of Supervisors focused on changes in asset quality and strengthened risk management supervision. The Board of Supervisors focused on compliance risk, credit risk, concentration risk, liquidity risk and reputational risk management. The Board of Supervisors formulated a reminder on the Company's asset quality, pointed out the main problems faced by the Company, and put forward suggestions on increasing effective investments, controlling key aspects, implementing regulatory requirements, and improving disposal capabilities. The Board of Supervisors regularly received reports on the Company's connected transactions, focusing on the internal control mechanism of connected transactions and the examination and approval of major projects. The Board of Supervisors organized joint meetings on supervision and coordination to jointly promote the resolution of key issues.

10. Report of the Board of Supervisors

Take full advantage of the effectiveness of supervision. The Board of Supervisors formulated the Measures for Special Meetings of the Board of Supervisors to improve the implementation mechanism of supervision opinions and suggestions of the Board of Supervisors, optimized the supervision method and completed the convergence of supervision information and business data system. The Board of Supervisors strengthened the communication with the Board and the management and conducted regular discussions with the CBIRC to effectively connect regulatory priorities with the supervision arrangements. From the aspects of strategic supervision, effectiveness of risk supervision, effectiveness of supervision and rectification and self-capacity construction, the Board of Supervisors conducted in-depth analysis on the problems and causes of its current work and conducted in-depth exploration and achieved certain results in improving the supervision work mechanism, improving the level of supervision standardization, and highlighting the pertinence of supervision content.

10.2 Independent Opinions on Relevant Matters

Lawful operation

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

Financial reports

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

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

The results of the performance evaluation of all Directors, Supervisors and Senior Management for 2022 were competent.

Internal control

During the Reporting Period, the Company continued to improve internal control and the Board of Supervisors had no disagreement with the evaluation opinions on internal control of the Company for 2022.

Board of Supervisors

March 28, 2023

11. Significant Events

11.1 Material Litigation and Arbitration

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

11.2 Major Acquisition and Disposal of Assets and Merger

On January 20, 2023, Cinda Securities completed its initial public offering of RMB ordinary shares, and its RMB ordinary shares were listed and traded on the Shanghai Stock Exchange on February 1, 2023. For details of the issuance and listing of Cinda Securities, please refer to “Report of the Board of Directors” – “Issuance of Securities” in this report.

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

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

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

11.4 Implementation of Share Incentive Plan

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

11.5 Major Custody, Contracting and Leasing

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

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

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

12. Organizational Chart



13. Audit Report and Financial Statements

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Independent Auditor's Report



Ernst & Young

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

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

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

Opinion

We have audited the consolidated financial statements of China Cinda Asset Management Co., Ltd. (the "Company") and its subsidiaries (the "Group") set out on page 160 to 407, which comprise the consolidated statement of financial position as at December 31, 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 December 31, 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. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the *Code of Ethics for Professional Accountants* (the "Code") issued by the Hong Kong Institute of Certified Public Accountants, and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

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

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

Key audit matter	How our audit addressed the key audit matter
<i>(1) Classification and impairment assessment of financial assets</i>	
<p>The Group classifies financial assets into three categories: amortized cost (Note VI.29), fair value through other comprehensive income (Note VI.27) and fair value through profit or loss (Note VI.25) based on the business model for managing the financial assets and their contractual cash flow characteristics according to IFRS 9 – Financial Instruments (hereinafter referred to as “IFRS 9”). The significant judgements used in the classification of financial assets by the Group involve assessing the business model for managing a portfolio of financial assets and assessing whether contractual cash flows are solely payments of principal and interest on the principal amount. The Group’s disclosures about accounting judgements and estimations are included in Note V.1 Classification of financial assets.</p>	<p>1. Classification of financial assets</p> <p>Our audit procedures included reviewing accounting policies related to the Group’s classification of financial assets, assessing and testing the design and operating effectiveness of controls over the assessment of the business model for managing the financial assets and the assessment of contractual cash flow characteristics in the process of classification of financial assets. We reviewed management’s business model assessment by obtaining supporting evidence on how the business performance is measured and assessing the frequency and relative amount in sales in the past. We obtained understanding and assessed the logic of the contractual cash flow assessment, and on a sampling basis, we reviewed management’s contractual cash flow assessment by reading the relevant contractual terms and performing an independent assessment of the contractual cash flows.</p>

Independent Auditor's Report

Key audit matter	How our audit addressed the key audit matter
<i>(1) Classification and impairment assessment of financial assets (continued)</i>	
<p>The Group adopts the expected credit loss model to assess the impairment of financial assets according to IFRS 9. Complex models and assumptions are used in the measurement of expected credit losses for loans and advances to customers and distressed debt assets at amortized cost, for example:</p> <ul style="list-style-type: none"> • Significant increases in credit risk – The selection of criteria for identifying significant increases in credit risk is highly dependent on judgement and may have a significant impact on the expected credit losses for financial assets with longer remaining periods to maturity; • Models and parameters – Inherently complex models are used to measure expected credit losses. Modelled parameters have numerous inputs and the parameter estimation involves many judgements and assumptions. • 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. 	<p>2. Impairment assessment of financial assets</p> <p>Our audit procedures included assessing and testing the design and operating effectiveness of controls over the measurement of expected credit losses for loans and advances to customers and distressed debt assets at amortized cost.</p> <p>With the support of our internal credit risk modelling experts, we evaluated and tested the reasonableness of the methodology, important parameters of the expected credit loss model, management's major judgements and related assumptions, including:</p> <ul style="list-style-type: none"> • Assessing the reasonableness of the expected credit loss model methodology; • Assessing the reasonableness of related parameters, including the probability of default, loss given default, risk exposure, and the significant increases in credit risk, in response to the macroeconomic changes; • Assessing the forward-looking information management used to determine expected credit losses, including the forecasts of macroeconomic variables and the assumptions and different weights of multiple macroeconomic scenarios; and • Evaluating the models and the related assumptions used in individual impairment assessments and analyzing the amount, timing and likelihood of management's estimated future cash flows, especially cash flows from collateral.

Key audit matter	How our audit addressed the key audit matter
<i>(1) Classification and impairment assessment of financial assets (continued)</i>	
<p>The Group's disclosures about accounting judgements and estimations of impairment of financial assets and the details of these financial assets are included in Note V.1 Classification of financial assets, Note V.3 Impairment of financial assets, Note VI.28 Loans and advances to customers, Note VI.29 Financial assets at amortized cost and Note VI.70.1 Credit risk.</p>	<p>Based on the financial and non-financial information of the debtors and other external evidence, we selected samples and assessed the appropriateness of the identification of credit ratings, significant increases in credit risk and credit-impaired financial assets applied by management. In addition, we selected samples and checked key data used in the models, including historical data and measurement data, to evaluate the accuracy and completeness of the data used.</p> <p>Furthermore, we checked the appropriateness of related disclosures including the disclosures of credit risk and expected credit losses.</p>
<i>(2) Valuation of financial instruments</i>	
<p>Financial assets carried at fair value represented a significant portion of total assets. The fair values of level 2 and level 3 financial instruments are determined through the application of valuation techniques which often involve the exercise of judgement by management and the use of assumptions and estimates.</p> <p>The Group's disclosures about accounting judgements and estimation and the details of these financial assets are included in Note V.2 Fair value of financial instruments and Note VI.71 Fair values of financial instruments.</p>	<p>Our audit procedures included assessing and testing the design and operating effectiveness of controls over the identification, measurement and management of valuation risk. We compared observable inputs, such as quoted bid prices in an active market, against independent sources and externally available market data. For unobservable inputs, such as estimated future cash flows, we checked the appropriateness by comparing the cash flows against relevant contractual terms or performing assessments of cash flows from collaterals or profit forecasts. We re-performed and re-performed valuations on a sample basis to evaluate the valuation techniques, assumptions and estimates adopted by the Group with the assistance of our internal valuation specialists. Furthermore, we checked the appropriateness of related disclosures of fair value including the disclosure of the fair value hierarchy.</p>

Independent Auditor's Report

Key audit matter	How our audit addressed the key audit matter
<i>(3) Assessment of control, joint control and significant influence</i>	
<p>The Group makes significant judgements to assess whether the Group has control over structured entities, and joint control or significant influence over the structured entities and other investees.</p> <ul style="list-style-type: none"> • The Group has interests in various structured entities including private equity funds, trusts, asset management plans, wealth management products and mutual funds. The consolidation of those entities is determined by the Group on the basis of control, which involves management's judgement upon power over the structured entities' relevant activities, exposure to variable returns from its involvement with the structured entities, and the ability to use the power to affect the amount of its returns; • The joint control over the structured entities and other investees is determined by the Group's assessment of the existence of sharing of control. The assessment involves judgement on whether decisions about the relevant activities require the unanimous consent of the parties sharing control; and 	<p>We evaluated and tested the design and operating effectiveness of the key controls related to the Group's assessment of whether it has control, joint control or significant influence over structured entities and other investees.</p> <p>We assessed the Group's analysis and conclusions on whether or not it controls structured entities based on the Group's analysis on its power over structured entities' relevant activities, and the magnitude and variability of variable returns from its involvement with structured entities. We also evaluated the appropriateness of the Group's assessment on its legal or constructive obligation to absorb loss of structured entities by reviewing relevant agreements or contracts, and whether the Group has provided liquidity support or credit enhancement to structured entities. Furthermore, we checked the appropriateness of related disclosures including interests in consolidated and unconsolidated structured entities.</p>

Key audit matter	How our audit addressed the key audit matter
<i>(3) Assessment of control, joint control and significant influence (continued)</i>	
<ul style="list-style-type: none"> The significant influence over the structured entities and other investees is determined by the Group's assessment of its power to participate in the structured entities and other investees' financial and operating policy decisions. The assessment involves significant judgement based on factors such as the structured entities and other investees' policy-making process, composition of the board of directors or other governing bodies, change in ownership and existence of contractual arrangements. <p>Due to the significance of these investments to the Group and the complexity of judgement exercised by management, this was considered as a key audit matter.</p> <p>The Group's disclosures about accounting judgements and estimation and the details of these equity investments are included in Note V.5 Control on structured entities, Note V.6 Judgement on joint control, Note V.7 Judgement on significant influence and Note VI.34 Interests in subsidiaries, Note VI.36 Interests in consolidated structured entities, Note VI.37 Interests in associates and joint ventures and Note VI.38 Interests in unconsolidated structured entities.</p>	<p>We also assessed the Group's analysis and conclusions on the existence of joint control or significant influence over the structured entities and other investees. We made inquiries and inspections of the relevant contracts and agreements of investments to evaluate the Group's assessment of its power to joint control over the structured entities and other investees' relevant activities, or to participate in the structured entities and other investees' financial and operating policy decisions.</p> <p>We also reviewed the minutes of the meetings of the investors or shareholders, the board of directors or other governing bodies of the structured entities and other investees. We evaluated the Group's reassessment of its influence over the structured entities and other investees on a continuous basis if facts and circumstances indicated that there were changes. Furthermore, we checked the appropriateness of related disclosures of interests in associates and joint ventures.</p>

Independent Auditor's Report

Key audit matter	How our audit addressed the key audit matter
<i>(4) Impairment assessment of goodwill</i>	
<p>As at December 31, 2022, the amount of goodwill in the Group's consolidated financial statements was RMB23,378 million.</p> <p>Certain risks may exist that the carrying amount of the goodwill cannot be recovered. The Group is required to, at least annually, perform impairment assessment of goodwill. For the purpose of impairment assessment, the Group allocated goodwill of RMB23,091 million to the cash generating units of Nanyang Commercial Bank, Limited (the "NCB"). To evaluate the recoverability of the goodwill, the Group engaged external appraisal experts to calculate the recoverable amount of NCB's cash-generating units using discounted cash flow model based on management's forecasted future cash flows.</p> <p>The Group adopted key assumptions, including forecasted periods, forecasted cash flows, growth rates, discounted rates in impairment assessment of goodwill. These assumptions are subject to inherent uncertainty. Considering the significant impact and the usage of key assumptions, we treated the impairment assessment of goodwill as a key audit matter.</p> <p>The Group's disclosures about accounting judgements and estimation and the details of goodwill are included in Note V.10 Impairment of goodwill and Note VI.40 Goodwill.</p>	<p>Our audit procedures included reviewing accounting policies in relation to impairment assessment of goodwill, assessing and testing the design and operating effectiveness of controls over impairment assessment of goodwill, assessing management's identification of cash-generating units and allocation of goodwill, and evaluating professional competency of external appraisal experts.</p> <p>With the support of our internal valuation specialists, we evaluated and tested the model and key assumptions adopted by management in the goodwill's impairment assessment, including:</p> <ul style="list-style-type: none"> • Evaluating the impairment assessment model for goodwill; • Assessing management's future cash flow forecasts, including forecasted revenues and costs, forecasted periods, and growth rates, and comparing the forecast with the Group's business plan, economic growth and development of the industry, and historical actual operating performances; • Recalculating discounted rates using Capital Asset Pricing Model ("CAPM") based on information of risk-free interest rate, market return rate, comparable companies and risk factors, and comparing the results with the discounted rates adopted in the impairment assessment to evaluate its reasonableness; • Testing the accuracy of the calculation of goodwill's recoverable amount; and • Evaluating the sensitivity analysis of key management's assumptions, to ascertain if adverse changes would impact the result of impairment assessment of goodwill. <p>Furthermore, we checked the appropriateness and completeness of related disclosures of goodwill.</p>

Other information included in the Annual Report

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

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

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

Responsibilities of the directors for the consolidated financial statements

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

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

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

Auditor's responsibilities for the audit of the consolidated financial statements

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

Independent Auditor's Report

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

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

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

Independent Auditor's Report

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

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

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

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

Ernst & Young

Certified Public Accountants

Hong Kong

March 28, 2023

Consolidated Statement of Profit or Loss

For the year ended December 31, 2022

(Amounts in thousands of RMB, unless otherwise stated)

	Notes VI	Year ended December 31	
		2022	2021
Income from distressed debt assets at amortized cost	1	10,070,722	13,466,628
Fair value changes on distressed debt assets	2	11,284,302	15,475,828
Fair value changes on other financial instruments	3	5,410,373	14,674,802
Investment income	4	216,754	156,762
Interest income	5	27,394,889	25,100,843
Revenue from sales of inventories	6	16,068,262	20,385,467
Commission and fee income	7	5,110,223	5,291,344
Net gains on disposal of subsidiaries, associates and joint ventures	8	1,058,791	303,992
Other income and other net gains or losses	9	4,374,064	2,875,375
Total		80,988,380	97,731,041
Interest expense	10	(40,081,101)	(41,936,940)
Employee benefits	11	(6,122,294)	(6,398,341)
Purchases and changes in inventories	6	(12,859,464)	(16,906,350)
Commission and fee expense	12	(624,550)	(688,671)
Taxes and surcharges		(571,094)	(612,718)
Depreciation and amortization expenses		(2,078,097)	(2,016,301)
Other expenses		(3,872,003)	(3,866,232)
Impairment losses on assets	13	(13,257,952)	(11,722,947)
Total		(79,466,555)	(84,148,500)
Change in net assets attributable to other holders of consolidated structured entities	36	(47,509)	(20,141)
Profit before share of results of associates and joint ventures and tax		1,474,316	13,562,400
Share of results of associates and joint ventures		8,983,278	5,816,507
Profit before tax	14	10,457,594	19,378,907
Income tax expense	15	(3,226,334)	(6,378,441)
Profit for the year		7,231,260	13,000,466

Consolidated Statement of Profit or Loss

For the year ended December 31, 2022
(Amounts in thousands of RMB, unless otherwise stated)

	Notes VI	Year ended December 31	
		2022	2021
Profit attributable to:			
Equity holders of the Company		6,313,402	12,061,721
Non-controlling interests		917,858	938,745
		7,231,260	13,000,466
Earnings per share attributable to ordinary equity holders of the Company (Expressed in RMB Yuan per share)	16		
– Basic		0.14	0.29
– Diluted		0.14	0.29

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

Consolidated Statement of Comprehensive Income

For the year ended December 31, 2022

(Amounts in thousands of RMB, unless otherwise stated)

	Year ended December 31	
	2022	2021
Profit for the year	7,231,260	13,000,466
Other comprehensive income		
Items that may be reclassified subsequently to profit or loss:		
Fair value changes on debt instruments at fair value through other comprehensive income		
Fair value changes arising during the year	(1,968,233)	42,272
Amounts reclassified to profit or loss upon disposal	295,081	(155,535)
Amounts of profit or loss upon impairment	135,394	135,783
	(1,537,758)	22,520
Exchange differences arising on translation of foreign operations	804,289	(312,477)
Share of other comprehensive income of associates and joint ventures	(5,271)	104,419
Subtotal	(738,740)	(185,538)
Items that will not be reclassified subsequently to profit or loss:		
Remeasurement of supplementary retirement benefits	35,049	2,721
Fair value changes on equity instruments designated as at fair value through other comprehensive income	(2,423,985)	178,415
Share of other comprehensive income of associates and joint ventures	(2,470)	(33,352)
Subtotal	(2,391,406)	147,784
Other comprehensive loss for the year, net of income tax	(3,130,146)	(37,754)
Total comprehensive income for the year	4,101,114	12,962,712
Total comprehensive income attributable to:		
Equity holders of the Company	3,142,295	12,045,617
Non-controlling interests	958,819	917,095
	4,101,114	12,962,712

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

Consolidated Statement of Financial Position

As at December 31, 2022
(Amounts in thousands of RMB, unless otherwise stated)

	Notes VI	As at December 31	
		2022	2021
Assets			
Cash and balances with central banks	21	16,677,376	18,045,729
Deposits with banks and financial institutions	22	97,830,088	99,921,346
Deposits with exchanges and others	23	2,334,962	2,202,860
Placements with banks and financial institutions	24	34,424,999	25,045,776
Financial assets at fair value through profit or loss	25	503,495,905	456,203,750
Financial assets held under resale agreements	26	30,075,367	68,204,309
Financial assets at fair value through other comprehensive income	27	130,487,681	122,592,326
Loans and advances to customers	28	396,529,988	368,031,445
Financial assets at amortized cost	29	169,994,310	183,535,039
Accounts receivable	30	4,803,330	3,203,037
Properties held for sale	32	47,875,190	44,061,194
Investment properties	33	9,257,660	9,426,590
Interests in associates and joint ventures	37	87,542,234	79,833,138
Property and equipment	39	13,766,345	15,551,141
Goodwill	40	23,378,287	21,422,080
Other intangible assets	41	3,944,687	3,519,626
Deferred tax assets	42	11,190,829	7,782,053
Other assets	43	32,379,737	35,697,835
Total assets		1,615,988,975	1,564,279,274

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

Consolidated Statement of Financial Position

As at December 31, 2022

(Amounts in thousands of RMB, unless otherwise stated)

	Notes VI	As at December 31	
		2022	2021
Liabilities			
Borrowings from central bank	44	986,058	996,043
Accounts payable to brokerage clients	45	19,107,213	17,605,589
Financial liabilities at fair value through profit or loss	46	10,684,889	7,942,939
Financial assets sold under repurchase agreements	47	43,425,645	15,095,770
Placements from banks and financial institutions	48	20,478,050	16,277,657
Borrowings	49	615,357,924	555,079,140
Due to customers	50	323,040,529	298,748,119
Deposits from banks and financial institutions	51	12,848,839	19,976,906
Accounts payable	52	4,946,903	5,389,488
Tax payable	53	4,200,813	3,814,474
Bonds issued	54	292,882,792	367,806,745
Contract liabilities	55	7,525,641	13,681,373
Deferred tax liabilities	42	1,943,766	2,159,381
Other liabilities	56	50,564,791	37,930,170
Total liabilities		1,407,993,853	1,362,503,794

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


Consolidated Statement of Financial Position

As at December 31, 2022
(Amounts in thousands of RMB, unless otherwise stated)

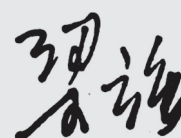
	Notes VI	As at December 31	
		2022	2021
Equity			
Share capital	57	38,164,535	38,164,535
Other equity instruments	58	32,748,001	20,795,600
Capital reserve	59	19,481,312	20,541,741
Other comprehensive income	60	(4,543,285)	(1,372,178)
Surplus reserve	61	10,756,092	10,114,703
General reserve	62	16,859,366	17,065,621
Retained earnings		74,739,721	73,490,789
Equity attributable to equity holders of the Company		188,205,742	178,800,811
Non-controlling interests		19,789,380	22,974,669
Total equity		207,995,122	201,775,480
Total equity and liabilities		1,615,988,975	1,564,279,274

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

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



CHAIRMAN



PRESIDENT

Consolidated Statement of Changes in Equity

For the year ended December 31, 2022

(Amounts in thousands of RMB, unless otherwise stated)

	Equity attributable to equity holders of the Company									
	Share capital (Note VI.57)	Other equity instruments (Note VI.58)	Capital reserve (Note VI.59)	Other	Surplus reserve (Note VI.61)	General reserve (Note VI.62)	Retained earnings	Subtotal	Non-controlling interests	Total
				comprehensive income (Note VI.60)						
As at January 1, 2022	38,164,535	20,795,600	20,541,741	(1,372,178)	10,114,703	17,065,621	73,490,789	178,800,811	22,974,669	201,775,480
Profit for the year	-	-	-	-	-	-	6,313,402	6,313,402	917,858	7,231,260
Other comprehensive income for the year	-	-	-	(3,171,107)	-	-	-	(3,171,107)	40,961	(3,130,146)
Total comprehensive income for the year	-	-	-	(3,171,107)	-	-	6,313,402	3,142,295	958,819	4,101,114
Issuance of other equity instruments	-	11,952,401	-	-	-	-	-	11,952,401	-	11,952,401
Capital contribution from non-controlling interests of subsidiaries	-	-	-	-	-	-	-	-	179,794	179,794
Acquisition of additional interests in subsidiaries	-	-	8,964	-	-	-	-	8,964	(63,106)	(54,142)
Issuance of capital securities	-	-	-	-	-	-	-	-	4,288,875	4,288,875
Redemption of capital securities	-	-	(87,947)	-	-	-	-	(87,947)	(8,216,193)	(8,304,140)
Disposal of interests in a subsidiary	-	-	(58,349)	-	-	-	-	(58,349)	241,672	183,323
Appropriation to surplus reserve	-	-	-	-	641,389	-	(641,389)	-	-	-
Appropriation to general reserve	-	-	-	-	-	(206,255)	206,255	-	-	-
Dividends recognized as distribution (Note VI.16, Note VI.17)	-	-	-	-	-	-	(4,629,336)	(4,629,336)	-	(4,629,336)
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	(228,986)	(228,986)
Dividends paid to capital securities	-	-	-	-	-	-	-	-	(346,164)	(346,164)
Share of associates' equity changes other than comprehensive income and distribution	-	-	(923,097)	-	-	-	-	(923,097)	-	(923,097)
As at December 31, 2022	38,164,535	32,748,001	19,481,312	(4,543,285)	10,756,092	16,859,366	74,739,721	188,205,742	19,789,380	207,995,122

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

Consolidated Statement of Changes in Equity

For the year ended December 31, 2022
(Amounts in thousands of RMB, unless otherwise stated)

	Equity attributable to equity holders of the Company								Non-controlling interests	Total
	Share capital	Other equity instruments	Capital reserve	Other comprehensive income	Surplus reserve	General reserve	Retained earnings	Subtotal		
	(Note VI.57)	(Note VI.58)	(Note VI.59)	(Note VI.60)	(Note VI.61)	(Note VI.62)				
As at January 1, 2021	38,164,535	21,281,215	20,409,660	(1,237,414)	8,948,922	15,665,320	68,876,486	172,108,724	22,933,696	195,042,420
Profit for the year	-	-	-	-	-	-	12,061,721	12,061,721	938,745	13,000,466
Other comprehensive income for the year	-	-	-	(16,104)	-	-	-	(16,104)	(21,650)	(37,754)
Total comprehensive income for the year	-	-	-	(16,104)	-	-	12,061,721	12,045,617	917,095	12,962,712
Issuance of other equity instruments	-	20,795,600	-	-	-	-	-	20,795,600	-	20,795,600
Redemption of other equity instruments	-	(21,281,215)	609,535	-	-	-	-	(20,671,680)	-	(20,671,680)
Acquisition of additional interests in subsidiaries	-	-	17,052	-	-	-	-	17,052	(17,052)	-
Disposal of subsidiaries	-	-	-	-	-	-	-	-	(265,875)	(265,875)
Appropriation to surplus reserve	-	-	-	-	1,165,781	-	(1,165,781)	-	-	-
Appropriation to general reserve	-	-	-	-	-	1,400,301	(1,400,301)	-	-	-
Dividends recognized as distribution (Note VI.16, Note VI.17)	-	-	-	-	-	-	(4,999,996)	(4,999,996)	-	(4,999,996)
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	(208,837)	(208,837)
Dividends paid to capital securities	-	-	-	-	-	-	-	-	(384,358)	(384,358)
Share of associates' equity changes other than comprehensive income and distribution	-	-	(494,506)	(118,660)	-	-	118,660	(494,506)	-	(494,506)
As at December 31, 2021	38,164,535	20,795,600	20,541,741	(1,372,178)	10,114,703	17,065,621	73,490,789	178,800,811	22,974,669	201,775,480

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

Consolidated Statement of Cash Flows

For the year ended December 31, 2022

(Amounts in thousands of RMB, unless otherwise stated)

	Year ended December 31	
	2022	2021
OPERATING ACTIVITIES		
Profit before tax	10,457,594	19,378,907
Adjustments for:		
Impairment losses on assets	13,257,952	11,722,947
Depreciation of property and equipment, investment properties and right-of-use assets	1,685,790	1,641,033
Amortization of intangible assets and other long-term assets	392,307	375,268
Share of results of associates and joint ventures	(8,983,278)	(5,816,507)
Net gains on disposal of property and equipment, investment properties and other intangible assets	(20,237)	(155,546)
Net gains on disposal of subsidiaries, associates and joint ventures	(1,058,791)	(303,992)
Fair value changes on financial assets	(3,774,244)	(14,231,494)
Investment income	(210,393)	(153,500)
Interest income	(5,473,336)	(2,593,127)
Borrowing costs	15,969,709	18,392,005
Operating cash flows before movements in working capital	22,243,073	28,255,994
Decrease in balances with central banks and deposits with banks and financial institutions	14,527	376,548
Increase in financial assets at fair value through profit or loss	(29,314,931)	(15,206,905)
Decrease/(Increase) in placements with banks and financial institutions	138,915	(2,882,172)
Increase in financial assets held under resale agreements	(2,300,269)	(701,354)
Decrease in financial assets at amortized cost	1,765,129	31,417,731
Increase in loans and advances to customers	(27,820,369)	(16,628,908)
Increase in accounts receivable	(2,426,395)	(118,007)
(Increase)/Decrease in properties held for sale	(4,396,066)	5,742,248
Increase in due to customers and deposits from banks and financial institutions	17,164,343	29,538,667
Increase in accounts payable to brokerage clients	1,501,624	1,021,742
Increase/(Decrease) in financial assets sold under repurchase agreements	28,262,351	(703,533)
Increase in borrowings	63,853,300	5,915,207
(Decrease)/Increase in accounts payable	(442,585)	502,795
Decrease in contract liabilities	(6,155,732)	(1,174,354)
Increase in other operating assets	(11,236,838)	(5,507,653)
Increase/(Decrease) in other operating liabilities	8,027,501	(3,989,925)
Cash inflow from operations	58,877,578	55,858,121
Income taxes paid	(4,700,934)	(6,944,708)
NET CASH INFLOW FROM OPERATING ACTIVITIES	54,176,644	48,913,413

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

Consolidated Statement of Cash Flows

For the year ended December 31, 2022
(Amounts in thousands of RMB, unless otherwise stated)

	Year ended December 31	
	2022	2021
INVESTING ACTIVITIES		
Cash receipts from disposals and recovery of investment securities	187,839,303	154,600,873
Dividends received from investment securities	11,300,441	14,929,501
Dividends received from associates and joint ventures	2,395,253	1,084,226
Interest received from investment securities	2,908,113	2,490,800
Cash receipts from disposals of property and equipment, investment properties and other intangible assets	3,156,817	620,608
Net cash inflows/(outflows) from disposals of subsidiaries	2,744,163	(883,172)
Net cash flows from disposals of associates and joint ventures	4,563,302	4,379,531
Cash payments to acquire investment securities	(198,827,198)	(152,290,980)
Net cash (outflows)/inflows due to acquisition of subsidiaries	(171,185)	179,799
Net cash inflows from consolidated structured entities	139,244	1,989,430
Cash payments for purchase of property and equipment, investment properties and other intangible assets	(1,935,959)	(847,380)
Cash payments for establishment and acquisition of interests in associates and joint ventures	(6,801,388)	(5,468,547)
NET CASH INFLOW FROM INVESTING ACTIVITIES	7,310,906	20,784,689
FINANCING ACTIVITIES		
Proceeds from issuance of other equity instruments	11,952,401	20,795,600
Proceeds from issuance of capital securities	4,288,875	–
Capital contribution from non-controlling interests of subsidiaries of the Company	179,794	–
Proceeds from disposal of partial interests in a subsidiary that does not involve loss of control	183,323	–
Cash payment to acquire additional interests in subsidiaries	(54,142)	–
Cash receipts from borrowings raised	33,931,251	27,938,707
Cash receipts from bonds issued	39,565,019	128,622,505
Cash repayments of borrowings	(39,311,373)	(36,073,203)
Cash repayments of bonds	(121,744,421)	(110,826,442)
Interest expenses on borrowings and bonds	(16,871,357)	(17,467,100)
Repayments of other equity instruments issued	–	(20,671,680)
Redemption of capital securities issued	(8,304,140)	–
Dividends paid	(4,629,336)	(4,999,996)
Dividends paid to non-controlling interests of subsidiaries and capital securities	(576,293)	(591,765)
Cash payments for other financing activities	(70,684)	(297,425)
NET CASH OUTFLOW FROM FINANCING ACTIVITIES	(101,461,083)	(13,570,799)

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

Consolidated Statement of Cash Flows

For the year ended December 31, 2022

(Amounts in thousands of RMB, unless otherwise stated)

	Notes VI	Year ended December 31	
		2022	2021
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(39,973,533)	56,127,303
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		173,326,056	120,733,347
Effect of foreign exchange changes		12,059,454	(3,534,594)
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	64	145,411,977	173,326,056
Net cash flows from operating activities include:			
Interest received		21,921,553	22,507,716
Interest paid		24,158,901	23,565,076

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

Notes to the Consolidated Financial Statements

For the year ended December 31, 2022
(Amounts in thousands of RMB, unless otherwise stated)

I. CORPORATE AND GROUP INFORMATION

China Cinda Asset Management Co., Ltd. (the “Company”) was transformed from China Cinda Asset Management Corporation (the “Former Cinda”), which was a wholly state-owned financial enterprise established in the People’s Republic of China (the “PRC”) by the Ministry of Finance (the “MOF”) on April 19, 1999 as approved by the State Council of the PRC (the “State Council”). On June 29, 2010, China Cinda Asset Management Co., Ltd. was established after the completion of the financial restructuring of the Former Cinda as approved by the State Council. As at December 31, 2022, the MOF directly owned 58.00% of the share capital of the Company.

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

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

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

Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

(Amounts in thousands of RMB, unless otherwise stated)

II. BASIS OF PREPARATION

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

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

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

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

Notes to the Consolidated Financial Statements

For the year ended December 31, 2022
(Amounts in thousands of RMB, unless otherwise stated)

III. APPLICATION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS

Standards, amendments and interpretations effective in 2022

In current year, the Group has applied the following new standards, amendments and interpretations to IFRSs that are effective for the Group's annual period beginning on January 1, 2022.

IFRS 3 Amendments	<i>Reference to the Conceptual Framework</i>
IAS 16 Amendments	<i>Property, Plant and Equipment: Proceeds before Intended Use</i>
IAS 37 Amendments	<i>Onerous Contracts – Costs of Fulfilling a Contract</i>
Annual Improvements to IFRSs 2018-2020 Cycle (issued in May 2020)	

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

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

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

Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

(Amounts in thousands of RMB, unless otherwise stated)

III. APPLICATION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS (continued)

Standards, amendments and interpretations effective in 2022 (continued)

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

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

Standards, amendments and interpretations that are not yet effective in 2022

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

		Effective for annual periods beginning on or after
IFRS 17 and Amendments	<i>Insurance Contracts</i>	January 1, 2023
IAS 8 Amendments	<i>Definition of Accounting Estimates</i>	January 1, 2023
IAS 1 and IFRS Practice Statement 2 Amendments	<i>Disclosure of Accounting Policies</i>	January 1, 2023
IAS 12 Amendments	<i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i>	January 1, 2023
IFRS 16 Amendments	<i>Lease Liability in a Sale and Leaseback</i>	January 1, 2024
IAS 1 Amendments	<i>Classification of Liabilities as Current or Non-current</i>	January 1, 2024
IFRS 10 and IAS 28 Amendments	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i>	Effective date has been deferred indefinitely

III. APPLICATION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS (continued)

Standards, amendments and interpretations that are not yet effective in 2022 (continued)

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

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

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

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

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

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III. APPLICATION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS (continued)

Standards, amendments and interpretations that are not yet effective in 2022 (continued)

The amendment to IFRS 16 specifies 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 recognize any amount of the gain or loss that relates to the right of use it retains. The amendment does not prescribe specific measurement requirements for lease liabilities arising from a leaseback. The initial measurement of the lease liability arising from a leaseback may result in a seller-lessee determining 'lease payments' that are different from the general definition of lease payments of IFRS 16. The seller-lessee will need to develop and apply an accounting policy that results in information that is relevant and reliable in accordance with IAS 8.

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

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

IV. SIGNIFICANT ACCOUNTING POLICIES

1. Statement of compliance

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

2. Basis of consolidation

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

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IV. SIGNIFICANT ACCOUNTING POLICIES (continued)

2. Basis of consolidation (continued)

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

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

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

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

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

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

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

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

Notes to the Consolidated Financial Statements

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IV. SIGNIFICANT ACCOUNTING POLICIES (continued)

2. Basis of consolidation (continued)

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

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

3. Business combinations

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

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

Notes to the Consolidated Financial Statements

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IV. SIGNIFICANT ACCOUNTING POLICIES (continued)

3. 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 of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

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

4. Goodwill

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

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

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

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IV. SIGNIFICANT ACCOUNTING POLICIES (continued)

5. Cash and cash equivalents

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

6. Foreign currency transactions

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

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

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

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

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IV. SIGNIFICANT ACCOUNTING POLICIES (continued)

6. Foreign currency transactions (continued)

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

7. Financial instruments

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

7.1 Determination of fair value

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

7.2 Effective interest method

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

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IV. SIGNIFICANT ACCOUNTING POLICIES (continued)

7. Financial instruments (continued)

7.3 Classification, recognition and measurement of financial assets

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

Business model

The Group's business model refers to how the Group manages its financial assets in order to generate cash flows. For example, financial assets are held within a business model whose objective is to hold assets to collect contractual cash flows or within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets. If above two situations are not applicable, the financial assets are classified as part of "other" business model. The Group's assessment of the business model is performed on a financial asset portfolio basis, and determined on the basis of scenarios which are reasonably expected to occur, taking into account: how cash flows were realised in the past, how the performance are evaluated and reported to the entity's key management personnel; the risks that affect the performance and the way in which those risks are assessed and managed; and how managers of the business are compensated, etc.

The contractual cash flow characteristics

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

Financial assets at amortized cost

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

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

IV. SIGNIFICANT ACCOUNTING POLICIES (continued)

7. Financial instruments (continued)

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

Financial assets at amortized cost (continued)

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

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

Financial assets at fair value through other comprehensive income

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

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

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

Financial assets at fair value through profit or loss

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

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IV. SIGNIFICANT ACCOUNTING POLICIES (continued)

7. Financial instruments (continued)

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

Financial assets at fair value through profit or loss (continued)

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

Equity instruments

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

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

7.4 Impairment of financial assets

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

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

IV. SIGNIFICANT ACCOUNTING POLICIES (continued)

7. Financial instruments (continued)

7.4 Impairment of financial assets (continued)

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

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

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

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

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IV. SIGNIFICANT ACCOUNTING POLICIES (continued)

7. Financial instruments (continued)

7.4 Impairment of financial assets (continued)

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

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

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

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

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

IV. SIGNIFICANT ACCOUNTING POLICIES (continued)

7. Financial instruments (continued)

7.4 Impairment of financial assets (continued)

(i) *Criteria for judging significant increases in credit risk*

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

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

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IV. SIGNIFICANT ACCOUNTING POLICIES (continued)

7. Financial instruments (continued)

7.4 Impairment of financial assets (continued)

(ii) Definition of credit-impaired financial asset

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

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

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

IV. SIGNIFICANT ACCOUNTING POLICIES (continued)

7. Financial instruments (continued)

7.4 Impairment of financial assets (continued)

(iii) Parameters of the ECL measurement

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

Relative definitions are listed as follows:

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

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IV. SIGNIFICANT ACCOUNTING POLICIES (continued)

7. Financial instruments (continued)

7.4 Impairment of financial assets (continued)

(iv) *Forward-looking information*

The assessment of a significant increase in credit risk and the calculation of ECL both involve forward-looking information. Through the analysis of historical data, the Group identifies the key economic indicators that affect the credit risk and ECL of various business types, such as GDP and CPI, etc. The forecast 2023 GDP growth rate used by the Group is between 3% and 5%.

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

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

(v) *Modification of contractual cash flows*

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

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

IV. SIGNIFICANT ACCOUNTING POLICIES (continued)

7. Financial instruments (continued)

7.5 Transfer of financial assets

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

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

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

7.6 Classification, recognition and measurement of financial liabilities

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

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

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(Amounts in thousands of RMB, unless otherwise stated)

IV. SIGNIFICANT ACCOUNTING POLICIES (continued)

7. Financial instruments (continued)

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

Financial liabilities at fair value through profit or loss

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

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

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

Other financial liabilities

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

IV. SIGNIFICANT ACCOUNTING POLICIES (continued)

7. Financial instruments (continued)

7.7 Derecognition of financial liabilities

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

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

7.8 Derivative financial instruments and hedge accounting

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

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

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

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

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IV. SIGNIFICANT ACCOUNTING POLICIES (continued)

7. Financial instruments (continued)

7.8 Derivative financial instruments and hedge accounting (continued)

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

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

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

Cash flow hedge

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

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

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

IV. SIGNIFICANT ACCOUNTING POLICIES (continued)

7. Financial instruments (continued)

7.8 Derivative financial instruments and hedge accounting (continued)

Fair value hedge

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

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

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

Hedges of a net investment in a foreign operation

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

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IV. SIGNIFICANT ACCOUNTING POLICIES (continued)

7. Financial instruments (continued)

7.9 Offsetting financial assets and financial liabilities

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

8. Inventories

Properties under development and properties held for sale

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

Others

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

9. Contract assets and contract liabilities

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

Contract assets

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

IV. SIGNIFICANT ACCOUNTING POLICIES (continued)

9. Contract assets and contract liabilities (continued)

Contract liabilities

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

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

Incremental costs of obtaining a contract

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

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

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

10. Interests in associates and joint ventures

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

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

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For the year ended December 31, 2022

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IV. SIGNIFICANT ACCOUNTING POLICIES (continued)

10. Interests in associates and joint ventures (continued)

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

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

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

IV. SIGNIFICANT ACCOUNTING POLICIES (continued)

10. Interests in associates and joint ventures (continued)

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

11. Investment properties

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

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

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

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

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

Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

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IV. SIGNIFICANT ACCOUNTING POLICIES (continued)

12. Property and equipment

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

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

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

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

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

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

Notes to the Consolidated Financial Statements

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IV. SIGNIFICANT ACCOUNTING POLICIES (continued)

13. Borrowing costs

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

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

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

14. Intangible assets

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

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

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

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IV. SIGNIFICANT ACCOUNTING POLICIES (continued)

14. Intangible assets (continued)

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

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

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

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

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

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

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

IV. SIGNIFICANT ACCOUNTING POLICIES (continued)

16. Resale and repurchase agreements

16.1 Financial assets held under resale agreements

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

16.2 Financial assets sold under repurchase agreements

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

17. Provisions

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

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

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

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IV. SIGNIFICANT ACCOUNTING POLICIES (continued)

18. Preference shares and Perpetual bonds

Preference shares issued by the Company contain no contractual obligation to deliver cash or another financial asset; or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the Company; and preference shares issued are non-derivative instruments that will be settled in the Company's own equity instruments, but includes no contractual obligation for the Company to deliver a variable number of its own equity instruments. The Company classifies preference shares issued as an equity instrument. Fees, commissions and other transaction costs of preference shares issuance are deducted from equity. The dividends on preference shares are recognized as profit distribution at the time of declaration.

Perpetual bonds issued by the Company contain no contractual obligation to deliver cash or another financial asset; or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the Company; and perpetual bonds issued includes no terms and arrangements that the bonds must or will alternatively be settled in the Company's own equity instruments. The Company classifies perpetual bonds issued as an equity instrument. Fees, commissions and other transaction costs of perpetual bonds issuance are deducted from equity. The interest on perpetual bonds is recognized as profit distribution at the time of declaration.

19. Revenue recognition

19.1 Income from distressed assets

Income from distressed assets is mainly generated from distressed debt assets included in financial assets at amortized cost and financial assets at fair value through profit or loss, equity instruments relating to distressed asset business included in financial assets at fair value through profit or loss and assets in satisfaction of debts.

Income from distressed debt assets includes interest income and gains or losses arising on distressed debt assets classified as financial assets at amortized cost, gains or losses from disposal of distressed debt assets at fair value through profit or loss and unrealized fair value changes on such assets, both of which are accounted for as fair value changes on distressed debt assets. Any interest income arising from distressed debt assets at fair value through profit or loss is also included in fair value changes of such assets. Income is also generated from the disposal of assets in satisfaction of debts. The accounting policy for interest income arising on distressed debt assets classified as financial assets at amortized cost is detailed in Note IV.19.4 Interest income and expense.

IV. SIGNIFICANT ACCOUNTING POLICIES (continued)

19. Revenue recognition (continued)

19.1 Income from distressed assets (continued)

Income from equity instruments relating to distressed asset business classified as financial assets at fair value through profit or loss includes dividend income, Unrealized fair value changes and gains or losses from disposal of these instruments and are presented under fair value changes of other financial instruments. The accounting policy for dividend income is detailed in Note IV.19.6 Dividend income.

19.2 Commission and fee income

The Group earns commission and fee income from securities and futures brokerage business, securities underwriting business, fund and asset management business, consultancy and financial advisory business, trustee services business, banking business, agency business services etc. which the Group provides to the customers. For those services that are provided over a period of time, commission and fee income are accrued in accordance with the actual progress. For other services, commission and fee income are recognized when the transactions are completed.

19.3 Revenue from sale of goods

Revenue from sale of goods of the Group is recognized when control of goods is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods.

When the contract contains a financing component which provides the customer or the Group a significant benefit of financing the transfer of goods to the customer, either explicitly or implicitly, the transaction price for such contracts is discounted to take into consideration the significant financing component.

Using the practical expedient in IFRS 15, the Group does not adjust the promised amount of consideration for the effects of a significant financing component if it expects, at contract inception, that the period between the transfer of the promised good or service to the customer and when the customer pays for that good or service will be one year or less.

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IV. SIGNIFICANT ACCOUNTING POLICIES (continued)

19. Revenue recognition (continued)

19.4 Interest income and expense

Interest income and expense for all interest-bearing financial instruments, except for interest income from distressed debt assets, are recognized within “interest income” and “interest expense” in profit or loss using the effective interest method.

Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is recognized using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

19.5 Investment income

Investment income includes dividend income from the equity instruments at fair value through other comprehensive income, and gain/loss from disposal of financial assets other than financial assets at fair value through profit or loss, equity investment at fair value through other comprehensive income and distressed debt assets at amortized cost.

19.6 Dividend income

Dividend income from investments is recognized when the shareholders’ rights to receive the payment has been established and is recognized provided that the amount can be measured reliably and it is probable that the associated economic benefits will flow to the Group.

19.7 Other income

Property rental income

The property rental income is recognized when the amount can be measured reliably and it is probable that the associated economic benefits will flow to the Group.

Property management fee

The Group earns property management fee income from property management services which the Group provides to the customers. For those services that are provided over a period of time, property management fee income is accrued in accordance with the actual progress. For other property management services, property management fee income is recognized when the services are completed.

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IV. SIGNIFICANT ACCOUNTING POLICIES (continued)

20. Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

20.1 Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated statement of profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

20.2 Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognized for taxable temporary differences associated with interests in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on the tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

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IV. SIGNIFICANT ACCOUNTING POLICIES (continued)

20. Taxation (continued)

20.2 Deferred tax (continued)

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets or liabilities.

Current and deferred tax are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realize the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

21. Leasing

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

21.1 As Lessee

The lease term is the non-cancellable period of a lease for which the Group has the right to use an underlying asset. The Group has several lease contracts that include extension and termination options. The Group applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. The Group considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. The Group includes the renewal period as part of the lease term for leases when the renewal options are reasonably certain to be exercised. The renewal periods for leases with longer non-cancellable periods are not included as part of the lease term as these are not reasonably certain to be exercised. Furthermore, the periods covered by termination options are included as part of the lease term only when they are reasonably certain not to be exercised. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate.

IV. SIGNIFICANT ACCOUNTING POLICIES (continued)

21. Leasing (continued)

21.1 As Lessee (continued)

The Group considers a lease that, at the commencement date of the lease, has a lease term of 12 months or less, and does not contain any purchase option as a short-term lease; and a lease for which the value of the individual underlying asset is relatively low when it is new as a lease of low-value asset. The Group chooses not to recognize the right-of-use assets and lease liabilities for short-term leases and leases of a low-value assets, and the rent is amortized on a straight-line basis in each period of the lease term and included in profit or loss.

The Group uses the incremental borrowing rate as the discount rate to calculate the present value of lease payments. When determining the incremental borrowing rate, each institution of the Group uses its economic environment and the observable interest rate as the foundation. On this basis, the applicable incremental borrowing rate is calculated through the adjustment of the reference interest rate, which is determined according to the situation of the institution and the underlying asset, the lease term, the amount of lease liability and other specific conditions of the lease.

Right-of-use assets

The right-of-use assets of the Group mainly include buildings, machinery and equipment, vehicles and other right-of-use assets.

At the commencement date of the lease, the Group recognizes a right-of-use asset. The cost of the right-of-use asset comprises: (i) the amount of the initial measurement of the lease liability; (ii) any lease payments made at or before the commencement date of the lease less any lease incentives received; (iii) any initial direct cost incurred when the Group is a lessee; and (iv) an estimate of costs incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

The right-of-use assets are depreciated on a straight-line basis subsequently by the Group. If the Group is reasonably certain that the ownership of the underlying asset will be transferred to the Group at the end of the lease term, the Group depreciates the asset from the commencement date to the end of the useful life of the asset. Otherwise, the Group depreciates the asset from the commencement date to the end of the useful life of the asset or the end of the lease term, whichever is shorter. The right-of-use assets are also subject to impairment assessment, which is detailed in Note IV.15 Impairment losses on tangible and intangible assets other than goodwill.

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For the year ended December 31, 2022

(Amounts in thousands of RMB, unless otherwise stated)

IV. SIGNIFICANT ACCOUNTING POLICIES (continued)

21. Leasing (continued)

21.1 As Lessee (continued)

Right-of-use assets (continued)

The Group remeasures the lease liability at the present value of the changed lease payments and adjusts the carrying amount of the right-of-use assets accordingly, when the carrying amount of the right-of-use asset is reduced to zero, and there is a further reduction in the measurement of the lease liability, the Group recognizes the remaining amount of the remeasurement in profit or loss.

Lease liability

At the commencement date of the lease, the Group measures the lease liability at the present value of the lease payments that are not paid at that date, except for short-term leases and leases of low-value assets.

In calculating the present value of the lease payments, the Group uses the incremental borrowing rate of lessee as the discount rate. The Group calculates the interest expenses of the lease liability in each period during the lease term using the constant periodic rate of interest, and recognizes such interest expenses in profit or loss. Variable lease payments that are not included in the measurement of the lease liabilities are recognized in profit or loss as incurred.

After the commencement date, the Group remeasures the lease liability by discounting the revised lease payments using a revised discount rate if either: (i) there is a change in the amounts expected to be payable under a residual value guarantee; (ii) there is a change in future lease payments resulting from a change in an index or a rate used to determine those payments; or (iii) there is a change in the assessment of an option to purchase, extend or terminate the underlying asset, assessed in the context of a purchase option.

Lease modification

Lease modification is a change in the scope of a lease, the consideration for a lease or lease term, that was not part of the original terms and conditions of the lease. For example, adding or terminating the right to use one or more underlying assets, or extending or shortening the contractual lease term.

IV. SIGNIFICANT ACCOUNTING POLICIES (continued)

21. Leasing (continued)

21.1 As Lessee (continued)

Lease modification (continued)

The Group accounts for a lease modification as a separate lease if both: (i) the modification increases the scope of the lease by adding the right to use one or more underlying assets; and (ii) the consideration for the lease increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, at the effective date of the lease modification the Group remeasures the lease liability by discounting the revised lease payments using a revised discount rate.

21.2 As Lessor

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset, except that a lease is classified as an operating lease at the inception date.

When the Group is a lessor under finance leases, the Group recognizes the receivable as the sum of the minimum lease payment receivable and initial direct costs at the commencement date, and records the unguaranteed residual value. The difference between the aggregation, which consists of the receivable and the unguaranteed residual value, and the sum of the present value is recognized as unearned finance income. The Group uses the effective interest method to recognize the current finance income. In the initial measurement of the finance lease receivable, the Group recognizes the net investment of the lease as the book value. The net investment in a lease is the sum of the unguaranteed residual value and the present value of the unreceived minimum lease payment receivable at the commencement date, which is discounted by the interest rate implicit in the lease. The Group calculates and recognizes the interest income in each period during the lease term using the constant periodic rate of interest, and recognizes such interest expenses in profit or loss. Variable lease payments that are not measured as part of the net investment in the lease are recognized in profit or loss as incurred.

When the Group is a lessor under operating leases, the Group still reflects the underlying assets as the Group's assets. The rent income is amortized on a straight-line basis in each period of the lease term and recognized in profit or loss. Variable lease payments that are not measured as part of the receivable in the lease are recognized in profit or loss as incurred.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

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IV. SIGNIFICANT ACCOUNTING POLICIES (continued)

22. Fiduciary activities

The Group's fiduciary activities mainly include trust and asset custody services.

The trust service of the Group refers to the business that the Group acts as trustee to undertake investment activity within the agreed period and scope on behalf of the third-party lenders who provide the fund.

The Group is responsible for the arrangement and collection of the entrusted loans and receives a commission for the services rendered. As the Group does not assume the risks and rewards of the entrusted loans and the funding for the corresponding entrusted funds, they are not recognized as assets and liabilities of the Group.

23. Employee benefits

In the reporting period in which an employee has rendered services, the Group recognizes the employee benefits payable for those services as a liability.

Social welfare

Social welfare expenditure refers to payments for employees' social welfare system established by the PRC government, including social insurance, housing funds and other social welfare contributions. The Group contributes on a monthly basis to these funds based on certain percentage of the salaries of the employees and the contributions are recognized in profit or loss for the period in which they are incurred. The Group's liabilities in respect of these funds are limited to the contribution payable in the reporting period.

Annuity scheme

The employees of the Group participate in Annuity scheme set up by the Company (the "Annuity scheme"). The Group made annuity contributions with reference to employees' salaries of last year, and the contributions are expensed in profit or loss when incurred. The Group has no further obligation even if the Annuity scheme does not have sufficient assets for payment of supplementary retirement benefits to employees.

IV. SIGNIFICANT ACCOUNTING POLICIES (continued)

23. Employee benefits (continued)

Defined benefit plans

The Group's subsidiary NCB operates a defined benefit plan for all its retired employees.

Under the plan, the employees are entitled to retirement benefits which included fully redeemed medical care, housing allowance and other retirement benefits.

The liability related to the above post-retirement benefit obligations existing at the end of each reporting period is calculated by independent actuaries using the projected unit credit method and is recorded as a liability. The present value of the liability is determined through discounting the estimated future cash outflows using interest rates of RMB treasury bonds which have terms to maturity approximating the terms of the related liability. The actuarial gains or losses of post-retirement benefit obligations are recognized in "other comprehensive income" immediately when they occur. Except for the actuarial changes, other changes are recognized in profit or loss for the period immediately when they occur.

24. Government grants

Government grants are not recognized until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognized in profit or loss on a systematic basis over the periods in which the Group recognizes as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognized as deferred income in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognized in profit or loss in the period in which they become receivable.

Notes to the Consolidated Financial Statements

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V. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION

The following are the critical judgements and key estimation uncertainties that the management has made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognized in the consolidated financial statements.

1. Classification of financial assets

The Group's critical judgements on determining the classification of financial assets include assessment of business model and analysis of contractual cash flow characteristics. The Group's assessment of the business model is performed on a financial assets portfolio basis, taking into consideration of how to generate cash flows of the assets in the past, how the performance of the financial assets are evaluated and reported to the Group's key management personnel, how the risks are evaluated and managed, and how managers are compensated. The Group's critical judgements on whether the cash flows are solely payments of principal and interest on the principal amount outstanding include whether principal amount may change over the life of the financial asset (for example, if there are repayments of principal) and whether interest only consists of consideration for the time value of money, for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs, as well as a profit margin.

2. Fair value of financial instruments

The Group uses valuation techniques for financial instruments which are not quoted in an active market. Valuation techniques include the use of discounted cash flows analysis, comparable listed company method, option pricing models or other valuation methods as appropriate. In practical applications, only observable data are used in the models. However, areas such as credit risk of the Group and the counterparty, volatilities and correlations require management to make estimates. Changes in assumptions about these factors could affect the estimated fair value of the financial instruments.

V. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION (continued)

3. Impairment of financial assets

The models and assumptions used by the Group in assessing the expected credit losses on financial assets are highly dependent on management's judgement. When determining whether the credit risk of an asset has increased significantly or not, the Group needs to consider internal and external historical information, current conditions and future economic forecasts. The criteria for a significant increase in credit risk will be used to determine whether an asset needs to accrue lifetime expected credit losses, rather than expected credit losses for the subsequent 12 months. The parameters used by the Group to measure the ECL, including PD, LGD and EAD, where each of them involves numerous judgements and assumptions. The Group applies expert judgements to predict macroeconomic indicators, analyses the correlations with model parameters such as PD, and makes forward-looking adjustments. At the same time, the Group also needs to judge the probability of occurrence of multiple different macroeconomic scenarios and calculate probability-weighted expected credit losses. The estimation of future cash flows is critical for an impaired asset that uses a single assessment method to measure expected credit losses. Factors that may affect this estimate include, but are not limited to: the level of detail of the financial information of a particular debtor, the relationship between industry trends and the future performance of a particular debtor and cash flows which can be recovered from realizing collateral and so on.

4. Transfer of financial assets

Whether the derecognition should be applied to part of a financial asset or the financial asset in its entirety, as well as whether, and to what extent, derecognition is appropriate requires significant judgement. In making this judgement, the Group evaluates whether it has transferred the right to collect the contractual cash flows, retained substantially all the risks and rewards of the transferred assets, or retained control of the transferred assets.

5. Control on structured entities

The Group's management needs to assess whether the Group has the power over a structured entity and is exposed to significant variable return of the structured entities. If such power and exposure exist, the Group should consolidate such structured entities. The judgments the Group used in determining if it has control over the structured entities are detailed in Note VI.36 Interests in consolidated structured entities.

The Group reassess whether it controls a structured entity if facts and circumstances indicate that there are changes to one or more of the three elements of control as listed in Note IV.2 Basis of consolidation.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

(Amounts in thousands of RMB, unless otherwise stated)

V. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION (continued)

6. Judgment on joint control

The joint control over the investees is determined by the Group's assessment of the existence of sharing of control. The assessment involves judgment on whether decisions about the relevant activities require the unanimous consent of the parties sharing control.

7. Judgment on significant influence

The significant influence over the investees is determined by the Group's assessment of its power to participate in the investees' financial and operating policy decisions. The assessment involves significant judgment based on factors such as the investees' policy-making process, composition of board of directors or other governing body, change in ownership and existence of contractual arrangements.

8. Recognition and allocation of properties under development

The construction cost is accumulated in properties under development during the construction period and recognized as purchases and changes in inventories in the statement of profit or loss when they are sold. The construction cost is estimated by the management of the Group in accordance with budget and the progress of development. The cost directly related to development in current period is accumulated in properties under development and the common cost among construction periods cost is allocated among each period on the basis of saleable area.

9. Taxes

There are certain transactions and activities for which the ultimate tax determination is subject to the final approval of annual tax return the Group filed with relevant tax authorities. Where the final tax outcome of these matters is different from the amounts that were initially estimated, such differences will impact the current income tax and deferred income tax in the period during which such a determination is made.

10. Impairment of goodwill

Goodwill is tested for impairment annually or more frequently. This requires an estimate of the present value of future cash flows for the cash-generating units to which goodwill is allocated. When estimating the present value of future cash flows, the Group needs to adopt key assumptions, including forecasted periods, forecasted cash flows, and growth rates to anticipate future cash flows from the cash-generating units, and select the appropriate discount rate to determine the present value of future cash flows. These assumptions are subject to inherent uncertainty.

VI. EXPLANATORY NOTES

1. Income from distressed debt assets at amortized cost

The amounts mainly represent interest income and gains or losses from disposal of distressed debt assets at amortized cost, which were acquired from financial institutions and non-financial institutions (see Note VI.29 Financial assets at amortized cost).

For the year ended December 31, 2022, the net loss on the derecognition of distressed debt assets at amortized cost was RMB220 million (For the year ended December 31, 2021, the net gain was RMB1,315 million).

2. Fair value changes on distressed debt assets

The amounts represent fair value changes on distressed debt assets at fair value through profit or loss during the year (see Note VI.25 Financial assets at fair value through profit or loss).

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

3. Fair value changes on other financial instruments

The amounts represent fair value changes on both financial assets at fair value through profit or loss (excluding distressed debt assets at fair value through profit or loss) and financial liabilities at fair value through profit or loss during the period (see Note VI.25 Financial assets at fair value through profit or loss and Note VI.46 Financial liabilities at fair value through profit or loss).

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

For the year ended December 31, 2022 and 2021, the fair value changes on financial liabilities at fair value through profit or loss were insignificant.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

3. Fair value changes on other financial instruments (continued)

	Year ended December 31	
	2022	2021
Financial instruments at fair value through profit or loss	5,410,373	14,674,802
Total	5,410,373	14,674,802

4. Investment income

	Year ended December 31	
	2022	2021
Net realized gain from disposal of		
– Financial assets at fair value through other comprehensive income	219,825	167,141
– Loans and advances to customers at amortized cost	6,361	3,262
Dividend income from		
– Financial assets at fair value through other comprehensive income	4,091	1,580
Others	(13,523)	(15,221)
Total	216,754	156,762

Notes to the Consolidated Financial Statements

For the year ended December 31, 2022
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VI. EXPLANATORY NOTES (continued)

5. Interest income

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

	Year ended December 31	
	2022	2021
Loans and advances to customers		
– Corporate and personal loans and advances	13,297,618	12,814,424
– Finance lease receivables	4,248,481	3,139,456
– Loans to margin clients	590,851	680,232
Other debt investments at amortized cost	3,394,931	2,638,917
Financial assets at fair value through other comprehensive income	2,726,981	2,265,884
Deposits with banks and financial institutions	1,962,915	1,378,579
Financial assets held under resale agreements	572,058	1,785,630
Placements with banks and financial institutions	476,568	245,748
Others	124,486	151,973
Total	27,394,889	25,100,843

Notes to the Consolidated Financial Statements

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VI. EXPLANATORY NOTES (continued)

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

	Year ended December 31	
	2022	2021
Revenue from sales of inventories	16,068,262	20,385,467
Purchases and changes in inventories	(12,859,464)	(16,906,350)
Including:		
Revenue from sales of properties held for sale	16,068,262	20,370,764
Purchases and changes in properties held for sale	(12,859,464)	(16,906,350)
Gross profit from sales of properties	3,208,798	3,464,414
Revenue from other trading operations	–	14,703
Purchases and changes in inventories of other trading operations	–	–
Gross profit from other trading operations	–	14,703

Notes to the Consolidated Financial Statements

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VI. EXPLANATORY NOTES (continued)

6. Revenue from sales of inventories and purchases and changes in inventories (continued)

Recognition time of revenue from sales of properties held for sale

	Year ended December 31	
	2022	2021
Recognized revenue at a point in time		
Sales of properties held for sale	16,068,262	20,370,764

The amounts of transaction prices allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 December are, as follows:

	2022	2021
Amounts expected to be recognized as revenue:		
Within one year	4,992,000	8,902,621
After one year	2,554,982	4,920,489
Total	7,546,982	13,823,110

7. Commission and fee income

	Year ended December 31	
	2022	2021
Fund and asset management business	1,622,819	1,237,566
Securities and futures brokerage	1,228,704	1,406,428
Banking business	800,529	992,032
Agency business	505,587	606,784
Trustee services	498,369	483,762
Consultancy and financial advisory	228,772	229,841
Securities underwriting	75,202	182,833
Others	150,241	152,098
Total	5,110,223	5,291,344

Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

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

	Year ended December 31	
	2022	2021
Net gains on disposal of subsidiaries	282,063	525,675
Net gains/(losses) on disposal of associates and joint ventures	776,728	(221,683)
Total	1,058,791	303,992

9. Other income and other net gains or losses

	Year ended December 31	
	2022	2021
Net gains or losses on exchange differences	1,998,370	(485,402)
Rental income	840,154	945,027
Revenue from project supervision	662,044	406,199
Revenue from hotel operation	301,289	355,311
Revenue from property management business	257,811	321,484
Government grants and compensation (1)	237,548	177,044
Income from liquidated damages	120,299	592,981
Net gains on disposal of other assets	20,091	130,891
Others	(63,542)	431,840
Total	4,374,064	2,875,375

- (1) For the year ended December 31, 2022, the government grant and compensation from operating activities, as part of other income and other net gains or losses, amounted to RMB199.40 million (for the year ended December 31, 2021: RMB165.96 million).

Notes to the Consolidated Financial Statements

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VI. EXPLANATORY NOTES (continued)

10. Interest expense

	Year ended December 31	
	2022	2021
Borrowings		
– Wholly repayable within five years	(21,603,517)	(22,790,316)
– Not wholly repayable within five years	(901,214)	(1,234,509)
Bonds issued	(11,851,690)	(14,039,405)
Due to customers	(4,377,209)	(3,158,278)
Financial assets sold under repurchase agreements	(605,834)	(233,161)
Placements from banks and financial institutions	(323,073)	(126,966)
Deposits from banks and financial institutions	(219,924)	(175,036)
Accounts payable to brokerage clients	(101,972)	(68,192)
Lease liabilities	(55,860)	(48,913)
Others	(40,808)	(62,164)
Total	(40,081,101)	(41,936,940)

11. Employee benefits

	Year ended December 31	
	2022	2021
Wages or salaries, bonuses, allowances and subsidies	(4,468,779)	(4,845,311)
Defined contribution plans	(598,054)	(545,589)
Social insurance	(354,090)	(319,781)
Housing funds	(256,108)	(229,439)
Labour union fees and staff education expenses	(128,828)	(116,315)
Defined benefit plans	(6,109)	(4,918)
Others	(310,326)	(336,988)
Total	(6,122,294)	(6,398,341)

Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

12. Commission and fee expense

	Year ended December 31	
	2022	2021
Securities and futures brokerage	(354,462)	(424,117)
Entrusted asset management	(52,718)	(89,771)
Securities underwriting business	(14,865)	(13,289)
Others	(202,505)	(161,494)
Total	(624,550)	(688,671)

13. Impairment losses on assets

	Year ended December 31	
	2022	2021
Allowances of impairment losses on assets		
Financial assets at amortized cost		
– Distressed debt assets	(6,498,298)	(4,334,279)
– Other debt investments	(1,493,423)	(640,764)
Loans and advances to customers	(3,270,087)	(3,933,477)
Interests in associates and joint ventures	(1,257,115)	(380,071)
Properties held for sale	(388,894)	(1,398,893)
Assets in satisfaction of debts	(222,476)	(182,792)
Interest receivable	(190,672)	22,843
Accounts receivable	(171,726)	(96,088)
Financial assets at fair value through other comprehensive income	(123,916)	(129,940)
Property and equipment	(9,183)	(73,371)
Financial assets held under resale agreements	46,950	49,139
Other assets	320,888	(625,254)
Total	(13,257,952)	(11,722,947)

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VI. EXPLANATORY NOTES (continued)

14. Profit before tax

	Year ended December 31	
	2022	2021
Profit before tax for the year has been arrived at after charging:		
Depreciation of property and equipment	(876,737)	(863,019)
Depreciation of right-of-use assets	(409,259)	(396,703)
Amortization	(406,015)	(391,812)
Depreciation of investment properties	(386,086)	(364,767)
Operating lease expenses	(117,710)	(128,603)

Principal auditors' remuneration for the year ended December 31, 2022 was RMB43.75 million (for the year ended December 31, 2021: RMB45.50 million).

15. Income tax expense

	Year ended December 31	
	2022	2021
Current income tax:		
– PRC Enterprise Income Tax	(4,701,439)	(4,162,374)
– PRC Land Appreciation Tax (“LAT”)	(448,374)	(990,312)
– Hong Kong Profits Tax	(426,871)	(350,568)
– Overseas taxation	(58,450)	–
(Underprovision)/Overprovision in prior years	(12,281)	52,925
Subtotal	(5,647,415)	(5,450,329)
Deferred income tax (Note VI.42)	2,421,081	(928,112)
Total	(3,226,334)	(6,378,441)

The statutory income tax rate applicable to PRC enterprises is 25% for the year (2021: 25%). A subsidiary of the Company set up in the Western Region (as defined in Note VI.70.1 Credit Risk) of the PRC is taxed at 15% (2021: 15%) subject to an annual special approval by the tax bureau.

Hong Kong Profits Tax is calculated at 16.5% (2021: 16.5%) of the estimated assessable profit for the year.

Notes to the Consolidated Financial Statements

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VI. EXPLANATORY NOTES (continued)

15. Income tax expense (continued)

Reconciliation of profit before tax to income tax expense is as follows:

	Year ended December 31	
	2022	2021
Profit before tax	10,457,594	19,378,907
Income tax calculated at the tax rate of 25%	(2,614,398)	(4,844,727)
Effect of tax losses and deductible temporary differences not recognized	(1,639,513)	(1,929,163)
Tax effect of expenses not deductible for tax purpose (2)	(381,180)	(294,560)
LAT	(448,374)	(990,312)
Tax effect of LAT	112,093	247,578
Tax effect of income not taxable for tax purpose (1)	1,106,444	674,313
Effect of different tax rates of subsidiaries	272,980	254,327
Tax effect of share of results of associates and joint ventures	144,923	251,303
(Underprovision)/Overprovision in prior years	(12,280)	52,925
Adjustment in respect of cost and distribution payment for additional equity instruments	60,251	63,868
Effect of utilization of tax losses not previously recognized	172,720	136,007
Income tax expense	(3,226,334)	(6,378,441)

(1) Income not taxable for tax purpose mainly includes interest income on treasury bonds and dividend income.

(2) Expenses not deductible for tax purpose mainly include commission and fee expense, employee benefits and entertainment expenses in excess of the tax deduction limits according to the PRC tax regulations.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2022
(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

16. Earnings per share

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

	Year ended December 31	
	2022	2021
Earnings:		
Profit attributable to equity holders of the Company	6,313,402	12,061,721
Less: Dividends on preference shares declared and distributed	570,956	1,027,068
Less: Dividends on undated capital bonds declared and distributed	440,000	–
Profit attributable to ordinary equity holders of the Company	5,302,446	11,034,653
Number of shares:		
Weighted average number of shares in issue for the purpose of basic earnings per share (in thousand)	38,164,535	38,164,535
Weighted average number of shares in issue for the purpose of diluted earnings per share (in thousand)	38,164,535	38,164,535
Basic earnings per share (RMB Yuan)	0.14	0.29
Diluted earnings per share (RMB Yuan)	0.14	0.29

There were no potentially dilutive shares outstanding for the year ended December 31, 2022 and December 31, 2021.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

17. Dividends

	Year ended December 31	
	2022	2021
Final dividend of 2021	3,618,380	–
Final dividend of 2020	–	3,972,928
Dividends recognized as distribution during the year	3,618,380	3,972,928

The resolution on the profit distribution plan for 2021 was duly approved by the shareholders at the Annual General Meeting held on June 28, 2022. In accordance with the plan, the dividend of RMB3,618.38 million was distributed during the year.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2022
(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

18. Emoluments of directors and supervisors

	Year ended December 31, 2022			
	Fees	Paid remuneration	All kinds of social insurance, housing funds and annuity schemes	Total (before tax)
Executive directors				
ZHANG Weidong (1)	—	481	221	702
LIANG Qiang (2)	—	98	60	158
ZHAO Limin (3)	—	316	168	484
ZHANG Zi'ai (4)	—	196	97	293
Non-executive directors				
HE Jieping (5)	—	—	—	—
WANG Shaoshuang (5)	—	—	—	—
CHEN Xiaowu (5)	—	—	—	—
ZHANG Yuxiang (5)	—	—	—	—
TANG Jiang (5)(6)	—	—	—	—
LIU Chong (5)	—	—	—	—
ZHANG Guoqing (5)(7)	—	—	—	—
Independent non-executive directors				
LU Zhengfei	250	—	—	250
LAM Chi Kuen	250	—	—	250
WANG Changyun (8)	59	—	—	59
SUN Maosong (9)	59	—	—	59
ZHU Wuxiang (10)	180	—	—	180
SUN Baowen (11)	180	—	—	180
Supervisors				
GONG Jiande (12)	—	481	—	481
ZHEN Qinggui	200	—	—	200
LIU Li (13)	102	—	—	102
CAI Xiaoqiang	200	—	—	200
GONG Hongbing (14)	20	—	—	20
LU Baoxing (14)	20	—	—	20
YUAN Liangming (14)	20	—	—	20
ZHOU Lihua (14)(15)	7	—	—	7
ZHANG Zheng (16)	100	—	—	100
Total	1,647	1,572	546	3,765

Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

18. Emoluments of directors and supervisors (continued)

- (1) Zhang Weidong was nominated as the chairman by the Board in March 2022, which was approved by the 2021 annual general meeting in June 2022, and his qualification was approved by the CBIRC in August 2022.
- (2) Liang Qiang was nominated as the executive director by the Board in October 2022, and his qualification was approved by the fourth extraordinary general meeting in October 2022.
- (3) Zhao Limin was nominated as the executive director by the Board in March 2022, which was approved by the second extraordinary general meeting in March 2022, and his qualification was approved by the CBIRC in May 2022.
- (4) Zhang Zi'ai ceased to be the executive director in June 2022.
- (5) These non-executive directors did not receive any fees from the Company.
- (6) Tang Jiang was nominated as the non-executive director by the Board in May 2022, which was approved by the 2021 annual general meeting in June 2022, and his qualification was approved by the CBIRC in September 2022.
- (7) Zhang Guoqing ceased non-executive director in September 2022.
- (8) Wang Changyun was nominated as the independent non-executive director in May 2022, which was approved by the 2021 annual general meeting in June 2022, and his qualification was approved by the CBIRC in September 2022.
- (9) Sun Maosong was nominated as the independent non-executive director in May 2022, which was approved by the 2021 annual general meeting in June 2022, and his qualification was approved by the CBIRC in September 2022.
- (10) Zhu Wuxiang ceased to be the independent non-executive in September 2022.
- (11) Sun Baowen ceased to be the independent non-executive in September 2022.
- (12) Gong Jiande ceased to be the supervisor in December 2022.
- (13) Liu Li was elected as the supervisor in June 2022.
- (14) The amounts only included fees for their services as employee representative supervisors.
- (15) Zhou Lihua was elected as the employee representative supervisor in September 2022.
- (16) Zhang Zheng ceased to be the supervisor in June 2022.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2022
(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

18. Emoluments of directors and supervisors (continued)

	Year ended December 31, 2021			Total (before tax)
	Fees	Paid remuneration	All kinds of social insurance, housing funds and annuity schemes	
Executive directors				
ZHANG Zi'ai	-	828	224	1,052
ZHANG Weidong	-	828	212	1,040
Non-executive directors				
HE Jieping (1)	-	-	-	-
XU Long (1)(2)	-	-	-	-
WANG Shaoshuang (1)	-	-	-	-
CHEN Xiaowu (1)(3)	-	-	-	-
ZHANG Yuxiang (1)	-	-	-	-
ZHANG Guoqing (1)	-	-	-	-
LIU Chong (1)	-	-	-	-
Independent non-executive directors				
ZHU Wuxiang	250	-	-	250
SUN Baowen	250	-	-	250
LU Zhengfei	250	-	-	250
LAM Chi Kuen	250	-	-	250
Supervisors				
GONG Jiande	-	826	210	1,036
LIU Yanfen (4)	150	-	-	150
ZHANG Zheng	200	-	-	200
LI Chun (5)	150	-	-	150
ZHEN Qinggui (6)	52	69	-	121
CAI Xiaoqiang (7)	52	69	-	121
GONG Hongbing (8)	20	-	-	20
LU Baoxing (8)	20	-	-	20
YUAN Liangming (8)	20	-	-	20
Total	1,664	2,620	646	4,930

Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

18. Emoluments of directors and supervisors (continued)

- (1) These non-executive directors did not receive any fees from the Company.
- (2) Xu Long ceased to be the non-executive director in December 2021.
- (3) Chen Xiaowu was nominated as the non-executive director by the Board in September 2021, which was approved by the third extraordinary general meeting in September 2021, and his qualification was approved by the CBIRC in December 2021.
- (4) Liu Yanfen ceased to be the supervisor in August 2021.
- (5) Li Chun ceased to be the supervisor in August 2021.
- (6) Zhen Qinggui was elected as the supervisor in August 2021.
- (7) Cai Xiaoqiang was elected as the supervisor in August 2021.
- (8) The amounts only included fees for their services as employee representative supervisors.

The total compensation packages for the above executive directors and supervisors for the year ended December 31, 2022 have not yet been finalized in accordance with regulations of the relevant authorities in the PRC. The final compensation will be disclosed in a separate announcement when determined. The total compensation packages for the above executive directors and supervisors for the year ended December 31, 2021 have been approved by the Annual General Meeting.

During the year, no emolument was paid by the Group to any of the directors, supervisors, key management personnel and the five highest paid individuals as set out in Note VI.19 Key management personnel and five highest paid individuals below as an inducement to join or upon joining the Group or as a compensation for loss of office. None of them waived any emoluments during the year. Bonus was determined based on the performance of individuals by the Group on a discretionary basis.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2022
(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

19. Key management personnel and five highest paid individuals

(1) Key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, including directors and executive officers. The aggregate compensation paid/payable to key management personnel for employment services, excluding the directors and supervisors whose emolument details have been reflected in Note VI.18 Emoluments of directors and supervisors, is as follows:

	Year ended December 31	
	2022	2021
Emoluments of key management personnel		
Paid emoluments	12,190	8,417
All kinds of social insurance, housing funds and annuity schemes	2,515	1,877
Total (before tax)	14,705	10,294

The number of key management personnel with emoluments within the following bands is as follows:

	Year ended December 31	
	2022	2021
RMB0 to RMB100,000	1	2
RMB100,001 to RMB500,000	4	2
RMB500,001 to RMB1,000,000	–	2
RMB2,000,001 to RMB2,500,000	5	3
Total	10	9

Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

19. Key management personnel and five highest paid individuals (continued)

(2) Five highest paid individuals

The emoluments of the five highest paid individuals whose emoluments were the highest in the Group for the year ended December 31, 2022 were as follows:

	Year ended December 31	
	2022	2021
Remuneration	26,654	17,329
All kinds of social insurance, housing funds and annuity schemes	1,424	1,697
Total (before tax)	28,078	19,026

Among the five highest paid individuals in the Group, none of them was a director. The number of these five individuals with emoluments within the following bands is as follows:

	Year ended December 31	
	2022	2021
RMB 3,000,001 to RMB3,500,000	–	3
RMB 3,500,001 to RMB4,000,000	2	2
RMB 5,000,001 to RMB5,500,000	1	–
RMB 6,500,001 to RMB7,000,000	1	–
RMB 7,500,001 to RMB8,000,000	1	–
Total	5	5

Notes to the Consolidated Financial Statements

For the year ended December 31, 2022
(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

20. Statement of financial position

	Notes VI	As at December 31	
		2022	2021
Assets			
Cash and balances with central banks	21	2,640	2,649
Deposits with banks and financial institutions	22	37,179,969	39,236,127
Financial assets at fair value through profit or loss	25	385,554,370	338,445,506
Financial assets held under resale agreements	26	24,914,111	65,391,479
Financial assets at fair value through other comprehensive income	27	4,484,509	7,685,875
Financial assets at amortized cost	29	105,876,967	139,610,326
Accounts receivable	30	1,921,592	915,919
Amounts due from subsidiaries	31	30,556,758	28,551,872
Investment properties	33	246,609	263,060
Interests in subsidiaries	34	39,540,173	39,484,717
Interests in consolidated structured entities	36	63,276,918	50,610,363
Interests in associates and joint ventures	37	64,494,202	58,185,869
Property and equipment	39	984,786	1,013,920
Other intangible assets	41	22,257	18,173
Deferred tax assets	42	6,180,080	3,612,965
Other assets	43	18,971,996	21,343,347
Total assets		784,207,937	794,372,167

Notes to the Consolidated Financial Statements

For the year ended December 31, 2022


(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

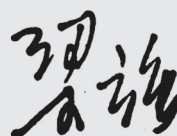
20. Statement of financial position (continued)

	Notes VI	As at December 31	
		2022	2021
Liabilities			
Borrowings from central bank	44	986,058	986,058
Financial liabilities at fair value through profit or loss	46	95,851	164,524
Placements from banks and financial institutions	48	4,041,048	–
Borrowings	49	488,858,073	438,812,556
Accounts payable	52	21,000	433,000
Tax payable	53	820,012	–
Bonds issued	54	125,395,165	202,658,138
Other liabilities	56	11,800,113	9,570,244
Total liabilities		632,017,320	652,624,520
Equity			
Share capital	57	38,164,535	38,164,535
Other equity instruments	58	32,748,001	20,795,600
Capital reserve	59	18,346,091	19,269,194
Other comprehensive income	60	(2,789,588)	(418,702)
Surplus reserve	61	10,745,514	10,104,125
General reserve	62	11,107,014	11,107,014
Retained earnings	63	43,869,050	42,725,881
Total equity		152,190,617	141,747,647
Total equity and liabilities		784,207,937	794,372,167

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



CHAIRMAN



PRESIDENT

Notes to the Consolidated Financial Statements

For the year ended December 31, 2022
(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

21. Cash and balances with central banks

Group

	As at December 31	
	2022	2021
Cash	527,836	447,078
Mandatory reserve deposits with central banks (1)	6,506,016	7,715,146
Surplus reserve deposits with central banks	3,985,369	5,100,428
Other deposits with central banks	5,658,155	4,783,077
Total	16,677,376	18,045,729
Including:		
Restricted		
– Balances with central banks	6,506,016	7,715,146

Company

	As at December 31	
	2022	2021
Cash	213	230
Other deposits with central banks	2,427	2,419
Total	2,640	2,649

- (1) In accordance with relevant regulations, NCB, a subsidiary of bank operations, is required to place mandatory reserve deposits with the People's Bank of China (the "PBOC") for customer deposits in both RMB and foreign currencies. As at December 31, 2022, the mandatory deposits were calculated at 7.5% (As at December 31, 2021: 8%) of customer deposits denominated in RMB and 6% (As at December 31, 2021: 9%) of customer deposits denominated in foreign currencies. Mandatory reserve deposits are not available for use by the Group in its daily operations.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

22. Deposits with banks and financial institutions

Group

	As at December 31	
	2022	2021
Deposits with banks		
– House accounts	74,813,856	79,967,119
– Cash held on behalf of clients	15,854,251	13,788,042
Clearing settlement funds		
– House accounts	367,965	511,177
– Clients	2,257,520	2,790,398
Deposits with other financial institutions		
– House accounts	4,465,748	2,786,124
Interest receivable	70,781	78,581
Subtotal	97,830,121	99,921,441
Less: Allowance for impairment losses	33	95
Total	97,830,088	99,921,346
Including:		
Restricted funds	18,845,774	24,093,393

Notes to the Consolidated Financial Statements

For the year ended December 31, 2022
(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

22. Deposits with banks and financial institutions (continued)

Company

	As at December 31	
	2022	2021
Deposits with banks	37,144,398	39,233,321
Interest receivable	35,571	2,806
Subtotal	37,179,969	39,236,127
Less: Allowance for impairment losses	–	–
Total	37,179,969	39,236,127

Pledged bank deposits represent deposits that have been pledged to secure bank borrowings. The Group had no pledged bank deposits at the end of 2022 and 2021.

The Group's clearing settlement funds were interest-bearing at prevailing market interest rates and mainly deposited in the China Securities Depository and Clearing Corporation Limited. As at December 31, 2022, the Group's restricted clearing settlement funds amounted to RMB2,257.52 million (As at December 31, 2021: RMB2,790.40 million).

As at December 31, 2022, the Group's deposits with banks and financial institutions in Stage I, II and III amounted to RMB97,830.12 million, nil and nil, respectively (December 31, 2021: RMB99,921.44 million, nil and nil, respectively). The allowance for impairment losses amounted to RMB0.03 million, nil and nil, respectively (December 31, 2021: RMB0.10 million, nil and nil, respectively).

Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

23. Deposits with exchanges and others

Group

	As at December 31	
	2022	2021
Shenzhen Stock Exchange	40,681	49,754
Shanghai Stock Exchange	91,302	44,673
Shanghai Clearing House	22,802	22,830
The Stock Exchange of Hong Kong Limited	6,792	5,766
National Equities Exchange and Quotations	767	702
Hong Kong Securities Clearing Company Limited	316	350
China Securities Finance Corporation Limited	413,441	470,184
China Financial Futures Exchange	300,720	431,423
Shanghai Futures Exchange	789,805	427,162
Zhengzhou Commodity Exchange	189,689	375,648
Dalian Commodity Exchange	464,609	354,065
Shanghai International Energy Exchange	13,883	20,296
Guangzhou Futures Exchange	150	–
Others	5	7
Total	2,334,962	2,202,860

The Company had no deposits with exchanges or financial institutions at the end of 2022 and 2021.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2022
(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

24. Placements with banks and financial institutions

Group

	As at December 31	
	2022	2021
Banks	32,431,571	24,268,463
Other financial institutions	1,911,251	764,837
Interest receivable	86,116	14,254
Subtotal	34,428,938	25,047,554
Less: Allowance for impairment losses	3,939	1,778
Total	34,424,999	25,045,776

As at December 31, 2022, the Group's placements with banks and financial institutions in Stage I, II and III amounted to RMB34,428.94 million, nil and nil, respectively (December 31, 2021: RMB25,047.55 million, nil and nil, respectively). The allowance for impairment losses amounted to RMB3.94 million, nil and nil, respectively (December 31, 2021: RMB1.78 million, nil and nil, respectively).

The Company had no placements with banks and financial institutions at the end of 2022 and 2021.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

25. Financial assets at fair value through profit or loss

Group

	As at December 31	
	2022	2021
Financial assets classified as at fair value through profit or loss		
Listed investments:		
Equity investments	16,777,486	19,169,262
Debt securities		
– Government bonds	3,806,883	1,342,652
– Financial institution bonds	923,193	666,349
– Corporate bonds	17,939,938	16,530,536
Funds	3,098,537	5,693,792
Corporate convertible bonds	809,683	343,869
Certificates of deposit	–	1,268,874
Subtotal	43,355,720	45,015,334
Unlisted investments:		
Distressed debt assets	233,437,193	203,739,505
Funds	116,332,929	93,315,437
Equity investments	53,448,574	51,174,895
Trust products and asset management plans	26,097,529	26,176,595
Debt instruments	16,264,284	22,393,054
Security investments	10,517,454	11,433,796
Derivative financial assets (1)	1,887,923	1,087,428
Wealth management products	1,776,838	1,531,919
Others	377,461	335,787
Subtotal	460,140,185	411,188,416
Total	503,495,905	456,203,750

Notes to the Consolidated Financial Statements

For the year ended December 31, 2022
(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

25. Financial assets at fair value through profit or loss (continued)

Group (continued)

(1) Derivative financial instruments

	As at December 31, 2022			As at December 31, 2021		
	Contractual/ Notional amount	Fair value		Contractual/ Notional amount	Fair value	
		Assets	Liabilities		Assets	Liabilities
Exchange rate derivatives						
Spot and forwards, currency swaps, and cross-currency interest rate swaps	88,059,712	1,051,608	(694,998)	70,605,504	494,075	(288,520)
Currency options	9,073,236	160,233	(155,335)	4,695,966	99,665	(83,089)
Subtotal	97,132,948	1,211,841	(850,333)	75,301,470	593,740	(371,609)
Interest rate derivatives						
Interest rate swaps and futures	71,961,675	536,147	(200,473)	123,151,385	158,304	(291,029)
Equity derivatives (i)	835,608	50,857	-	7,546,622	206,055	-
Commodity derivatives and others	283,398	89,078	(933)	483,658	129,329	(5,908)
Total	170,213,629	1,887,923	(1,051,739)	206,483,135	1,087,428	(668,546)

(i) Please refer to Note VI.71.2 Fair values of financial assets and financial liabilities that are measured at fair value on a recurring basis for fair value measurement of equity derivatives.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

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VI. EXPLANATORY NOTES (continued)

25. Financial assets at fair value through profit or loss (continued)

Company

	As at December 31	
	2022	2021
Financial assets classified as at fair value through profit or loss		
Distressed debt assets	232,364,903	202,262,856
Funds	87,671,560	63,421,991
Equity investments	31,898,536	35,323,036
Trust products and asset management plans	17,307,373	15,765,528
Debt instruments	15,221,453	20,754,372
Security investments	722,804	917,723
Others	367,741	–
Total	385,554,370	338,445,506
Analysed as:		
Listed	10,741,071	14,326,028
Unlisted	374,813,299	324,119,478

Notes to the Consolidated Financial Statements

For the year ended December 31, 2022
(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

26. Financial assets held under resale agreements

Group

	As at December 31	
	2022	2021
By collateral type		
Bonds	29,026,362	66,939,741
Stocks	1,188,846	1,496,606
Interest receivable	11,757	64,890
Subtotal	30,226,965	68,501,237
Less: Allowance for impairment losses	151,598	296,928
Total	30,075,367	68,204,309

As at December 31, 2022, the Group's assets held under resale agreements in Stage I, II and III amounted to RMB29,946.39 million, nil and RMB280.58 million, respectively (As at December 31, 2021: RMB68,070.96 million, nil and RMB430.28 million, respectively). The allowance for impairment losses amounted to RMB0.90 million, nil and RMB150.70 million, respectively (As at December 31, 2021: RMB11.13 million, nil and RMB285.80 million, respectively).

Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

26. Financial assets held under resale agreements (continued)

Company

	As at December 31	
	2022	2021
By collateral type		
Bonds	24,907,088	65,346,340
Interest receivable	7,879	56,036
Subtotal	24,914,967	65,402,376
Less: Allowance for impairment losses	856	10,897
Total	24,914,111	65,391,479

As at December 31, 2022, all the Company's assets held under resale agreements were in Stage I, and amounted to RMB24,914.97 million (As at December 31, 2021: RMB65,402.38 million). The allowance for impairment losses amounted to RMB0.86 million (As at December 31, 2021: RMB10.90 million).

Notes to the Consolidated Financial Statements

For the year ended December 31, 2022
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VI. EXPLANATORY NOTES (continued)

27. Financial assets at fair value through other comprehensive income

Group

	As at December 31	
	2022	2021
Debt investments at fair value through other comprehensive income		
Debt securities		
– Government bonds	53,203,597	42,358,523
– Public sector and quasi-government bonds	2,776,062	3,701,620
– Financial institution bonds	45,663,840	35,188,300
– Corporate bonds	22,174,956	31,738,947
Interest receivable	1,115,796	894,062
Subtotal	124,934,251	113,881,452
Equity investments designated as at fair value through other comprehensive income		
Equity instruments	5,553,430	8,710,874
Subtotal	5,553,430	8,710,874
Total	130,487,681	122,592,326

As at December 31, 2022, the Group's debt investments at fair value through other comprehensive income in Stage I, II and III amounted to RMB126,635.51 million, nil, RMB502.57 million, respectively (As at December 31, 2021: RMB113,306.81 million, RMB133.42 million, RMB302.59 million, respectively). The allowance for impairment losses amounted to RMB93.34 million, nil and RMB405.41 million, respectively (As at December 31, 2021: RMB82.87 million, RMB21.75 million and RMB241.69 million, respectively).

As at December 31, 2022, the Group's equity investments at fair value through other comprehensive income amounted to RMB5,553.43 million (December 31, 2021: RMB8,710.87 million). The above equity investments were irrevocably designated as at fair value through other comprehensive income as the Group considers these investments to be strategic in nature.

During the year ended December 31, 2022, the Group received dividends in the amounts of RMB4.09 million (During the year ended December 31, 2021: RMB1.58 million) from equity investments designated as at fair value through other comprehensive income.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

27. Financial assets at fair value through other comprehensive income (continued)

Company

	As at December 31	
	2022	2021
Equity investments designated as at fair value through other comprehensive income		
Equity instruments	4,484,509	7,685,875
Subtotal	4,484,509	7,685,875
Total	4,484,509	7,685,875

As at December 31, 2022 and December 31, 2021, all the Company's debt investments at fair value through other comprehensive income was nil.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2022
(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

28. Loans and advances to customers

Group

	As at December 31	
	2022	2021
At amortized cost		
Corporate loans and advances		
– Loans and advances	257,143,142	232,002,826
– Discounted bills	192,278	355,175
Personal loans and advances		
– Mortgages	27,193,721	29,538,886
– Personal consumption loans	22,791,024	22,064,294
Loans to margin clients	9,063,598	10,912,566
Finance lease receivables	72,271,287	60,954,059
Subtotal	388,655,050	355,827,806
Interest accrued	3,712,897	2,593,997
Total loans and advances to customers at amortized cost	392,367,947	358,421,803
At fair value through profit or loss		
Corporate loans and advances	14,436,617	19,207,444
Total loans and advances to customers	406,804,564	377,629,247
Less: Allowance for impairment losses on loans and advances to customers at amortized cost	10,274,576	9,597,802
Net loans and advances to customers	396,529,988	368,031,445

Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

28. Loans and advances to customers (continued)

Group (continued)

Loans and advances at amortized cost are as follows:

	Stage I (12-month ECL)	Stage II (Lifetime ECL)	Stage III (Lifetime ECL- impaired)	Total
As at December 31, 2022				
Gross loans and advances	357,078,476	28,955,020	6,334,451	392,367,947
Less: Allowances for impairment losses	3,720,086	3,090,970	3,463,520	10,274,576
Net loans and advances to customers	353,358,390	25,864,050	2,870,931	382,093,371
As at December 31, 2021				
Gross loans and advances	332,675,530	17,811,478	7,934,795	358,421,803
Less: Allowances for impairment losses	2,697,758	2,326,250	4,573,794	9,597,802
Net loans and advances to customers	329,977,772	15,485,228	3,361,001	348,824,001

Notes to the Consolidated Financial Statements

For the year ended December 31, 2022
(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

28. Loans and advances to customers (continued)

Group (continued)

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

	2022			Total
	Stage I (12-month ECL)	Stage II (Lifetime ECL)	Stage III (Lifetime ECL- impaired)	
As at January 1	2,697,758	2,326,250	4,573,794	9,597,802
Convert to Stage I	21,144	(21,144)	–	–
Convert to Stage II	(259,740)	325,076	(65,336)	–
Convert to Stage III	(16,944)	(836,624)	853,568	–
Impairment losses recognized	1,764,975	199,783	1,424,656	3,389,414
Impairment losses reversed	(530,509)	(753,708)	(943,471)	(2,227,688)
Stage conversion	(5,743)	1,815,860	298,244	2,108,361
Write-off and transfer out	–	–	(2,801,103)	(2,801,103)
Recovery of loans and advances written off in previous years	–	–	46,623	46,623
Unwinding of discount on allowance	–	–	(13,872)	(13,872)
Exchange differences	49,145	35,477	90,417	175,039
As at December 31	3,720,086	3,090,970	3,463,520	10,274,576

The gross carrying amount of loans and advances to customers transferred from Stage III to Stage II or from Stage II to Stage I due to the modification of the contractual cash flows in the year of 2022 was not significant.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

28. Loans and advances to customers (continued)

Group (continued)

	2021			Total
	Stage I (12-month ECL)	Stage II (Lifetime ECL)	Stage III (Lifetime ECL- impaired)	
As at January 1	2,351,618	1,948,428	3,185,612	7,485,658
Convert to Stage I	157,583	(157,583)	–	–
Convert to Stage II	(208,989)	208,989	–	–
Convert to Stage III	(44,376)	(1,164,403)	1,208,779	–
Impairment losses recognized	1,419,535	426,784	1,788,436	3,634,755
Impairment losses reversed	(832,716)	(171,980)	(931,236)	(1,935,932)
Stage conversion	(132,474)	1,328,140	1,038,988	2,234,654
Write-off and transfer out	–	(84,502)	(1,692,887)	(1,777,389)
Recovery of loans and advances written off in previous years	–	–	26,305	26,305
Unwinding of discount on allowance	–	–	(23,645)	(23,645)
Exchange differences	(12,423)	(7,623)	(26,558)	(46,604)
As at December 31	2,697,758	2,326,250	4,573,794	9,597,802

The gross carrying amount of loans and advances to customers transferred from Stage II to Stage I due to the modification of the contractual cash flows in the year of 2021 was not significant.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2022
(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

28. Loans and advances to customers (continued)

Group (continued)

Finance lease receivable are analyzed as follow:

	As at December 31	
	2022	2021
Minimum finance lease receivables:		
Within 1 year (inclusive)	30,715,938	25,035,349
1 year to 2 years (inclusive)	22,527,710	18,319,538
2 years to 3 years (inclusive)	14,936,172	11,724,668
3 years to 4 years (inclusive)	6,770,685	6,525,934
4 years to 5 years (inclusive)	2,427,663	3,322,117
Over 5 years	1,717,919	2,550,580
Gross amount of finance lease receivables	79,096,087	67,478,186
Less: Unearned finance income	6,824,800	6,524,127
Subtotal	72,271,287	60,954,059
Interest accrued	503,488	341,556
Net amount of finance lease receivables	72,774,775	61,295,615
Less: Allowance for impairment losses	3,133,697	2,402,776
Carrying amount of finance lease receivables	69,641,078	58,892,839
Present value of minimum lease receivables:		
Within 1 year (inclusive)	28,066,195	22,593,459
1 year to 2 years (inclusive)	20,559,607	16,634,748
2 years to 3 years (inclusive)	13,988,581	10,677,802
3 years to 4 years (inclusive)	6,353,173	6,044,827
4 years to 5 years (inclusive)	2,274,491	3,082,986
Over 5 years	1,532,728	2,261,793
Total	72,774,775	61,295,615
Including:		
Finance lease receivables pledged for borrowings	6,820,228	7,630,758

The Company had no loans and advances to customers as at December 31, 2022 and 2021.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

29. Financial assets at amortized cost

Group

	As at December 31	
	2022	2021
Distressed debt assets		
– Acquired from financial institutions	4,516,849	6,335,992
– Acquired from non-financial institutions	103,471,884	138,207,028
Subtotal	107,988,733	144,543,020
Interest accrued	5,053,115	4,389,571
Gross of distressed debt assets	113,041,848	148,932,591
Less: Allowance for impairment losses	13,230,434	14,459,897
Net of distressed debt assets	99,811,414	134,472,694
Other debt investments	69,922,811	50,052,184
Interest accrued	3,247,168	900,072
Gross of other debt investments	73,169,979	50,952,256
Less: Allowance for impairment losses	2,987,083	1,889,911
Net of other debt investments	70,182,896	49,062,345
Total	169,994,310	183,535,039

Notes to the Consolidated Financial Statements

For the year ended December 31, 2022
(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

29. Financial assets at amortized cost (continued)

Group (continued)

Distressed debt assets are as follows:

	Stage I (12-month ECL)	Stage II (Lifetime ECL)	Stage III (Lifetime ECL- impaired)	Total
As at December 31, 2022				
Gross distressed debt assets	85,736,575	15,694,155	11,611,118	113,041,848
Less: Allowance for impairment losses	3,610,887	3,279,209	6,340,338	13,230,434
Net distressed debt assets	82,125,688	12,414,946	5,270,780	99,811,414

The changes of gross carrying amounts of the Group were mainly due to the following:

The Group adjusted the five tier classification and customer internal rating of distressed debt assets, and the distressed debt assets with a gross carrying amount of RMB8,129 million were transferred from Stage I to Stage II, and the corresponding impairment allowance was increased by RMB1,072 million. The gross carrying amount of distressed debt assets transferred from Stage I and Stage II to Stage III was RMB13,810 million, with a corresponding increase in impairment allowance of RMB5,236 million. The gross carrying amount of distressed debt assets transferred from Stage II to Stage I was RMB5,491 million, with a corresponding decrease in impairment allowance of RMB532 million.

The Group transferred out impaired distressed debt assets with a gross carrying amount of RMB9,740 million, resulting in a corresponding reduction of RMB5,115 million in impairment allowance for Stage III distressed debt assets.

The Group had no distressed debt assets transferred from Stage III to Stage II or Stage I in the year of 2022.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

29. Financial assets at amortized cost (continued)

Group (continued)

The movements of allowance for distressed debt assets in the year of 2022 are as follows:

	2022			Total
	Stage I (12-month ECL)	Stage II (Lifetime ECL)	Stage III (Lifetime ECL- impaired)	
As at January 1	4,517,581	6,635,010	3,307,306	14,459,897
Convert to Stage I	754,954	(754,954)	–	–
Convert to Stage II	(339,733)	339,733	–	–
Convert to Stage III	(46,604)	(2,499,720)	2,546,324	–
Impairment losses recognized	911,065	1,328,074	794,021	3,033,160
Impairment losses reversed	(1,567,077)	(569,282)	(174,056)	(2,310,415)
Stage conversion	(532,426)	1,072,200	5,235,779	5,775,553
Write-off and transfer out	(86,873)	(2,271,852)	(5,115,329)	(7,474,054)
Unwinding of discount on allowance	–	–	(253,707)	(253,707)
As at December 31	3,610,887	3,279,209	6,340,338	13,230,434

Distressed debt assets are as follows:

	Stage I (12-month ECL)	Stage II (Lifetime ECL)	Stage III (Lifetime ECL- impaired)	Total
As at December 31, 2021				
Gross distressed debt assets	107,656,389	32,392,405	8,883,797	148,932,591
Less: Allowance for impairment losses	4,517,581	6,635,010	3,307,306	14,459,897
Net distressed debt assets	103,138,808	25,757,395	5,576,491	134,472,694

Notes to the Consolidated Financial Statements

For the year ended December 31, 2022
(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

29. Financial assets at amortized cost (continued)

Group (continued)

The changes of gross carrying amounts of the Group were mainly due to the following:

The Group adjusted the five tier classification and customer internal rating of distressed debt assets, and the distressed debt assets with a gross carrying amount of RMB16,779 million were transferred from Stage I to Stage II, and the corresponding impairment allowance was increased by RMB837 million. The gross carrying amount of distressed debt assets transferred from Stage I and Stage II to Stage III was RMB14,839 million, with a corresponding increase in impairment allowance of RMB2,402 million. The gross carrying amount of distressed debt assets transferred from Stage II to Stage I was RMB1,890 million, with a corresponding decrease in impairment allowance of RMB20 million.

The Group transferred out impaired distressed debt assets with a gross carrying amount of RMB10,615 million, resulting in a corresponding reduction of RMB5,944 million in impairment allowance for Stage III distressed debt assets.

The Group had no distressed debt assets transferred from Stage III to Stage II or Stage I due to the modification of the contractual cash flows in the year of 2021.

The movements of allowance for distressed debt assets in the year of 2021 are as follows:

	2021			Total
	Stage I (12-month ECL)	Stage II (Lifetime ECL)	Stage III (Lifetime ECL- impaired)	
As at January 1	5,575,629	7,690,661	3,258,555	16,524,845
Convert to Stage I	168,622	(168,622)	–	–
Convert to Stage II	(760,353)	760,353	–	–
Convert to Stage III	(5,388)	(3,175,931)	3,181,319	–
Impairment losses recognized	2,115,448	1,800,815	793,193	4,709,456
Impairment losses reversed	(2,324,597)	(934,941)	(334,980)	(3,594,518)
Stage conversion	(19,680)	836,538	2,402,483	3,219,341
Write-off and transfer out	(232,100)	(173,863)	(5,943,567)	(6,349,530)
Unwinding of discount on allowance	–	–	(49,697)	(49,697)
As at December 31	4,517,581	6,635,010	3,307,306	14,459,897

Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

29. Financial assets at amortized cost (continued)

Company

	As at December 31	
	2022	2021
Distressed debt assets		
– Acquired from financial institutions	4,516,849	6,335,992
– Acquired from non-financial institutions	103,281,253	138,013,503
Subtotal	107,798,102	144,349,495
Interest accrued	5,053,114	4,389,571
Gross of distressed debt assets	112,851,216	148,739,066
Less: Allowance for impairment losses	13,060,548	14,288,997
Net of distressed debt assets	99,790,668	134,450,069
Other debt investments	6,177,164	6,492,968
Interest accrued	260,778	54,564
Gross of other debt investments	6,437,942	6,547,532
Less: Allowance for impairment losses	351,643	1,387,275
Net of other debt investments	6,086,299	5,160,257
Total	105,876,967	139,610,326

Notes to the Consolidated Financial Statements

For the year ended December 31, 2022
(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

29. Financial assets at amortized cost (continued)

Company (continued)

Distressed debt assets are as follows:

	Stage I (12-month ECL)	Stage II (Lifetime ECL)	Stage III (Lifetime ECL- impaired)	Total
As at December 31, 2022				
Gross distressed debt assets	85,736,574	15,694,155	11,420,487	112,851,216
Less: Allowance for impairment losses	3,610,887	3,279,209	6,170,452	13,060,548
Net distressed debt assets	82,125,687	12,414,946	5,250,035	99,790,668

Refer to the Group for the changes of gross carrying amounts of the Company.

The movements of allowance for distressed debt assets in the year of 2022 are as follows:

	2022			Total
	Stage I (12-month ECL)	Stage II (Lifetime ECL)	Stage III (Lifetime ECL- impaired)	Total
As at January 1	4,517,581	6,635,010	3,136,406	14,288,997
Convert to Stage I	754,954	(754,954)	–	–
Convert to Stage II	(339,733)	339,733	–	–
Convert to Stage III	(46,604)	(2,499,720)	2,546,324	–
Impairment losses recognized	911,065	1,328,074	794,021	3,033,160
Impairment losses reversed	(1,567,077)	(569,282)	(173,042)	(2,309,401)
Stage conversion	(532,426)	1,072,200	5,235,779	5,775,553
Write-off and transfer out	(86,873)	(2,271,852)	(5,115,329)	(7,474,054)
Unwinding of discount on allowance	–	–	(253,707)	(253,707)
As at December 31	3,610,887	3,279,209	6,170,452	13,060,548

Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

29. Financial assets at amortized cost (continued)

Company (continued)

Distressed debt assets are as follows:

	Stage I (12-month ECL)	Stage II (Lifetime ECL)	Stage III (Lifetime ECL- impaired)	Total
As at December 31, 2021				
Gross distressed debt assets	107,656,389	32,392,405	8,690,272	148,739,066
Less: Allowance for impairment losses	4,517,581	6,635,010	3,136,406	14,288,997
Net distressed debt assets	103,138,808	25,757,395	5,553,866	134,450,069

Refer to the Group for the changes of gross carrying amounts of the Company.

The movements of allowance for distressed debt assets in the year of 2021 are as follows:

	2021			Total
	Stage I (12-month ECL)	Stage II (Lifetime ECL)	Stage III (Lifetime ECL- impaired)	Total
As at January 1	5,602,841	7,690,661	3,087,248	16,380,750
Convert to Stage I	168,622	(168,622)	–	–
Convert to Stage II	(760,353)	760,353	–	–
Convert to Stage III	(5,388)	(3,175,931)	3,181,319	–
Impairment losses recognized	2,115,448	1,800,815	793,600	4,709,863
Impairment losses reversed	(2,351,808)	(934,941)	(334,980)	(3,621,729)
Stage conversion	(19,680)	836,538	2,402,483	3,219,341
Write-off and transfer out	(232,101)	(173,863)	(5,943,567)	(6,349,531)
Unwinding of discount on allowance	–	–	(49,697)	(49,697)
As at December 31	4,517,581	6,635,010	3,136,406	14,288,997

Notes to the Consolidated Financial Statements

For the year ended December 31, 2022
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VI. EXPLANATORY NOTES (continued)

30. Accounts receivable

Group

	As at December 31	
	2022	2021
Accounts receivable from sales of properties	2,005,376	974,055
Accounts receivable relating to distressed debt assets	1,348,581	432,003
Commission and fee receivables	909,284	464,260
Accounts receivable relating to equity assets	428,008	1,082,384
Others	474,565	529,309
Gross of accounts receivable	5,165,814	3,482,011
Less: Allowance for impairment losses	362,484	278,974
Net of accounts receivable	4,803,330	3,203,037

Company

	As at December 31	
	2022	2021
Accounts receivable relating to distressed debt assets	1,293,524	393,492
Accounts receivable relating to equity assets	400,008	400,008
Others	519,780	412,468
Gross of accounts receivable	2,213,312	1,205,968
Less: Allowance for impairment losses	291,720	290,049
Net of accounts receivable	1,921,592	915,919

Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

30. Accounts receivable (continued)

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

Group

	As at December 31							
	2022				2021			
	Gross amount	%	Impairment	Carrying amount	Gross amount	%	Impairment	Carrying amount
Within 1 year (inclusive)	944,578	53	-	944,578	405,847	49	(39,350)	366,497
1 year to 2 years (inclusive)	405,847	23	(118,048)	287,799	11,927	1	-	11,927
2 years to 3 years (inclusive)	11,927	1	-	11,927	14,229	2	-	14,229
Over 3 years	414,237	23	(38,614)	375,623	400,008	48	(15,640)	384,368
Total	1,776,589	100	(156,662)	1,619,927	832,011	100	(54,990)	777,021

Company

	As at December 31							
	2022				2021			
	Gross amount	%	Impairment	Carrying amount	Gross amount	%	Impairment	Carrying amount
Within 1 year (inclusive)	900,032	53	-	900,032	393,492	50	(39,350)	354,142
1 year to 2 years (inclusive)	393,492	23	(118,048)	275,444	-	-	-	-
2 years to 3 years (inclusive)	-	-	-	-	-	-	-	-
Over 3 years	400,008	24	(38,614)	361,394	400,008	50	(15,640)	384,368
Total	1,693,532	100	(156,662)	1,536,870	793,500	100	(54,990)	738,510

Notes to the Consolidated Financial Statements

For the year ended December 31, 2022
(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

30. Accounts receivable (continued)

The movements of allowance for impairment losses during the years are as follows:

Group

	Year ended December 31	
	2022	2021
At beginning of the year	278,974	210,697
Impairment losses recognized	206,247	106,175
Impairment losses reversed	(34,521)	(10,087)
Amounts written off and transferred out and others	(88,216)	(27,811)
At end of the year	362,484	278,974

Company

	Year ended December 31	
	2022	2021
At beginning of the year	290,049	250,699
Impairment losses recognized	101,671	39,350
Amounts written off and transferred out	(100,000)	–
At end of the year	291,720	290,049

31. Amounts due from subsidiaries

Amounts due from subsidiaries are unsecured. The Company expected to recover a majority portion of the amounts due from subsidiaries within one year from the end of 2022 of the fiscal year.

Notes to the Consolidated Financial Statements

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(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

32. Properties held for sale

Group

	As at December 31	
	2022	2021
Completed properties	11,842,208	17,466,952
Properties under development	37,940,307	29,456,322
Others	12,115	12,695
Subtotal	49,794,630	46,935,969
Less: Allowance for impairment losses	1,919,440	2,874,775
Total	47,875,190	44,061,194
Including:		
Pledged for borrowings	9,370,731	12,875,515

As at December 31, 2022 and 2021, included in the properties held for sale amounted to RMB12,117 million and RMB15,607 million which represented the carrying amounts of the properties not expected to be completed and sold within twelve months from the end of each reporting period.

The Company had no properties held for sale at the end of 2022 and 2021.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2022
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VI. EXPLANATORY NOTES (continued)

33. Investment properties

Group

	Year ended December 31	
	2022	2021
Cost		
At beginning of the year	11,246,125	10,646,919
Additions during the year	355	411,493
Transfer in	281,288	224,652
Disposals	(53,334)	(18,860)
Disposal of subsidiaries	(23,414)	(18,079)
At end of the year	11,451,020	11,246,125
Accumulated depreciation		
At beginning of the year	(1,726,758)	(1,371,267)
Charge for the year	(388,562)	(364,767)
Disposals	467	5,208
Disposal of subsidiaries	9,777	4,068
At end of the year	(2,105,076)	(1,726,758)
Allowance for impairment losses		
At beginning of the year	(92,777)	(94,774)
Charge for the year	–	(3,689)
Decrease in the year	4,493	5,686
At end of the year	(88,284)	(92,777)
Net book value		
At beginning of the year	9,426,590	9,180,878
At end of the year	9,257,660	9,426,590
Net book value of investment properties pledged for borrowings	2,609,484	2,558,013

Notes to the Consolidated Financial Statements

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VI. EXPLANATORY NOTES (continued)

33. Investment properties (continued)

Group (continued)

The net book value of investment properties is analyzed based on the remaining terms of the leases as follows:

	As at December 31	
	2022	2021
Net book value:		
– on long-term leases (over 50 years)	26,128	27,679
– on medium-term leases (10 to 50 years)	9,045,078	9,095,446
– on short-term leases (less than 10 years)	186,454	303,465
Total	9,257,660	9,426,590

As at December 31, 2022, the Group's investment properties for which the Group has not obtained a certificate of land use right or certificate of property ownership amounted to RMB6.68 million (As at December 31, 2021: RMB211.67 million).

Company

	Year ended December 31	
	2022	2021
Cost		
At beginning of the year	448,526	448,526
At end of the year	448,526	448,526
Accumulated depreciation		
At beginning of the year	(185,466)	(169,014)
Charge for the year	(16,451)	(16,452)
At end of the year	(201,917)	(185,466)
Net book value		
At beginning of the year	263,060	279,512
At end of the year	246,609	263,060

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VI. EXPLANATORY NOTES (continued)

33. Investment properties (continued)

Company (continued)

The net book value of investment properties is analyzed based on the remaining terms of the leases as follows:

	As at December 31	
	2022	2021
Net book value:		
– on medium-term leases (10 to 50 years)	246,609	263,060

34. Interests in subsidiaries

Company

	As at December 31	
	2022	2021
At cost	39,540,173	39,484,717
Total	39,540,173	39,484,717

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(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

34. Interests in subsidiaries (continued)

Company (continued)

Name of entity	Place of incorporation and operation	Date of incorporation/ establishment	Authorized/ paid-in capital	Proportion of ownership held by the Group		Proportion of voting rights held by the Group		Principal activities
			as at	As at December 31		As at December 31		
			December 31, 2022	2022	2021	2022	2021	
			(In '000)	% (1)	% (1)	% (1)	% (1)	
China Cinda (HK) Holdings Co., Ltd.*	Hong Kong, PRC	December 16, 1998	HKD24,975,487	100.00	100.00	100.00	100.00	Investment holding
Zhongrun Economic Development Co., Ltd.* (f)	Beijing, PRC	May 8, 2000	RMB30,000	100.00	100.00	100.00	100.00	Investment management
Cinda Securities Co., Ltd.* (e)	Beijing, PRC	September 4, 2007	RMB2,918,700	87.42	87.42	87.42	87.42	Securities brokerage
Cinda Investment Co., Ltd.* (a)	Beijing, PRC	August 1, 2000	RMB2,000,000	100.00	100.00	100.00	100.00	Business investment
China Jingu International Trust Co., Ltd.* (f)	Beijing, PRC	April 21, 1993	RMB2,200,000	93.75	92.29	93.75	92.29	Trust service
Cinda Financial Leasing Co., Ltd.* (f)	Lanzhou, PRC	December 28, 1996	RMB3,505,249	99.92	99.92	99.92	99.92	Financial leasing
Nanyang Commercial Bank, Limited	Hong Kong, PRC	February 2, 1948	HKD3,144,517	100.00	100.00	100.00	100.00	Commercial Bank
China Cinda (HK) Asset Management Co., Ltd.	Hong Kong, PRC	April 21, 1999	HKD0.002	100.00	100.00	100.00	100.00	Asset management
China Cinda Fund Management Co., Ltd.	Hong Kong, PRC	June 23, 1999	HKD0.002	100.00	100.00	100.00	100.00	Fund management
China Cinda (HK) Investment Management Co., Ltd.	Hong Kong, PRC	November 22, 2006	HKD0.001	100.00	100.00	100.00	100.00	Investment holding
Cinda (China) Investment Co., Ltd.	Hong Kong, PRC	March 24, 1994	HKD10	100.00	100.00	100.00	100.00	Investment holding
China Cinda (Macau) Asset Management Co., Ltd.	Macao, PRC	May 28, 1999	MOP100	100.00	100.00	100.00	100.00	Asset management
Well Kent International Group Co., Ltd.	Hong Kong, PRC	May 27, 1993	HKD1,000	100.00	100.00	100.00	100.00	Investment holding
Cinda Financial Holdings Co., Limited	Hong Kong, PRC	August 11, 2015	HKD68,000,001	100.00	100.00	100.00	100.00	Investment holding
Cinda Futures Co., Ltd. (a)	Hangzhou, PRC	October 5, 1995	RMB600,000	87.42	87.42	100.00	100.00	Futures and brokerage

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(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

34. Interests in subsidiaries (continued)

Company (continued)

Name of entity	Place of incorporation and operation	Date of incorporation/ establishment	Authorized/ paid-in capital as at December 31, 2022 (In '000)	Proportion of ownership held by the Group		Proportion of voting rights held by the Group		Principal activities
				As at December 31 2022 %(1)	2021 %(1)	As at December 31 2022 %(1)	2021 %(1)	
Xinfeng Investment Management Co., Ltd. (a)	Beijing, PRC	April 9, 2012	RMB400,000	87.42	87.42	100.00	100.00	Investment management
Cinda Innovation Investment Co., Ltd. (a)	Beijing, PRC	August 20, 2013	RMB700,000	87.42	87.42	100.00	100.00	Investment management
Cinda Fund Management Co., Ltd. (b)	Shenzhen, PRC	June 5, 2006	RMB100,000	47.20	47.20	54.00	54.00	Fund management
Hainan Jianxin Investment Management Co., Ltd. (e)	Haikou, PRC	April 10, 1993	RMB412,500	100.00	100.00	100.00	100.00	Investment management
Sanya Horizon Industry Co., Ltd. (c)	Sanya, PRC	December 19, 1992	RMB60,000	51.00	51.00	51.00	51.00	Real estate development
Shanghai Tongda Venture Capital Co., Ltd. (d)(1)(2)	Shanghai, PRC	July 27, 1991	RMB139,144	40.68	41.02	40.68	41.02	Investment management
Shenzhen Jianxin Investment Development Co., Ltd.(a)	Shenzhen, PRC	April 21, 1993	RMB400,000	100.00	100.00	100.00	100.00	Business investment
Hebei Cinda Jinjian Investment Co., Ltd. (a)	Langfang, PRC	November 24, 1998	RMB76,000	100.00	100.00	100.00	100.00	Business investment
Henan Jinboda Investment Co., Ltd. (a)	Zhengzhou, PRC	February 23, 1993	RMB400,000	100.00	100.00	100.00	100.00	Property leasing
Cinda Capital Management Co., Ltd. (f)	Tianjin, PRC	December 16, 2008	RMB200,000	100.00	100.00	100.00	100.00	Investment holding
Wuhan Oriental Jianguo Hotel Co., Ltd. (f)	Wuhan, PRC	December 15, 1995	RMB282,000	90.25	90.25	90.25	90.25	Hotel management
Cinda Real Estate Co., Ltd. (d)(1)	Beijing, PRC	July 20, 1984	RMB2,851,879	54.45	55.45	54.45	55.45	Real estate development
Changhuai Cinda Real Estate Co., Ltd. (a)	Anhui, PRC	June 8, 2006	RMB5,136,643	54.45	55.45	100.00	100.00	Real estate development

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VI. EXPLANATORY NOTES (continued)

34. Interests in subsidiaries (continued)

Company (continued)

Name of entity	Place of incorporation and operation	Date of incorporation/ establishment	Authorized/ paid-in capital as at December 31, 2022 (In '000)	Proportion of ownership held by the Group As at December 31		Proportion of voting rights held by the Group As at December 31		Principal activities
				2022 %(1)	2021 %(1)	2022 %(1)	2021 %(1)	
Cinda Jianrun Real Estate Co., Ltd.(b)	Beijing, PRC	December 28, 2007	RMB200,000	70.00	70.00	70.00	70.00	Real estate development
Cinda Securities (H.K.) Holdings Limited	Hong Kong, PRC	September 5, 2022	HKD64,426	87.42	0.00	100.00	0.00	Investment holding
Beijing Cinda Shiyuxin Investment Management Co., Ltd.(a)	Beijing, PRC	May 11, 2015	RMB10,000	54.45	55.45	100.00	100.00	Asset management
Beijing Cinda Real Estate Development Co., Ltd. (a)	Beijing, PRC	September 14, 2015	RMB10,000	54.45	55.45	100.00	100.00	Real estate development
Jade Aviation LLC	Cayman Islands/ Ireland	January 11, 2018	USD87,440	80.00	80.00	80.00	80.00	Aircraft leasing
China Cinda(2020) I Management Limited	BVI/ Hong Kong, PRC	November 26, 2019	USD10	100.00	100.00	100.00	100.00	Capital raising (debt issuing)

The above table lists the principal subsidiaries of the Company. To give details of other subsidiaries would, in the opinion of management, result in particulars of excessive length.

Notes to the Consolidated Financial Statements

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VI. EXPLANATORY NOTES (continued)

34. Interests in subsidiaries (continued)

Company (continued)

- * These subsidiaries are directly held by the Company.

- (a) This entity is registered as a solely invested by a corporation limited liability company under the PRC laws.

- (b) This entity is registered as a Sino-foreign joint venture limited liability company under the PRC laws.

- (c) This entity is registered as a mainland joint venture with a Hong Kong, Macao or Taiwan limited liability company under the PRC laws.

- (d) This entity is registered as a listed joint stock limited company under the PRC laws.

- (e) This entity is registered as an unlisted joint stock limited company under the PRC laws.

- (f) This entity is registered as other limited liability company under the PRC laws.

- (l) The shares of these subsidiaries are listed in Mainland China.

- (1) The percentage of voting rights is combined by a direct holding percentage and an indirect controlling percentage of the subsidiaries. The percentage of ownership is the multiple of the holding percentages of different control levels.

- (2) The Group's shareholding in Shanghai Tongda Venture Capital Co., Ltd. ("Shanghai Tongda") is less than 50%, but the shareholding percentage of other shareholders is widely dispersed. Moreover, according to the corporate charter, the Board's resolutions must be approved by more than half of all the directors, and the Group takes three of the four seats of Shanghai Tongda's Board. Therefore, Shanghai Tongda is accounted for as a subsidiary of the Company.

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For the year ended December 31, 2022

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

35. Non-controlling interests in the subsidiaries of the Group

Cinda Real Estate Co., Ltd. (“Cinda Real Estate”) is a subsidiary which has significant non-controlling interests in the consolidated financial statements of the Group.

General information about Cinda Real Estate has been set out in Note VI.34 Interests in subsidiaries. The financial information about Cinda Real Estate before intra-group eliminations is as follows:

Cinda Real Estate

	As at December 31	
	2022	2021
Current assets	67,270,573	67,001,060
Non-current assets	21,135,523	19,920,684
Current liabilities	37,081,090	36,579,961
Non-current liabilities	26,228,163	25,695,000
Total equity	25,096,843	24,646,783
Non-controlling interests of the subsidiary	11,910,587	11,414,467

	Year ended December 31	
	2022	2021
Total revenue	18,248,095	22,105,283
Profit before tax	1,471,019	1,466,568
Total comprehensive income	575,040	844,858
Profit attributable to non-controlling interests of the subsidiary during the year	303,338	392,805
Dividend distribution to non-controlling interests	195,387	82,780

	Year ended December 31	
	2022	2021
Net cash flow from operating activities	1,840,132	2,711,788
Net cash flow from investing activities	(1,472,244)	(9,027,113)
Net cash flow from financing activities	1,254,589	(4,106,584)
Net Increase/(Decrease) in cash and cash equivalents	1,622,477	(10,421,909)

VI. EXPLANATORY NOTES (continued)

36. Interests in consolidated structured entities

The Group had consolidated certain structured entities including private equity funds, trusts, and asset management plans. To determine whether control exists, the Group uses the following judgements:

- (1) For the private equity funds, trusts and asset management plans, to which the Group provides financial guarantees, the Group has an obligation to fund the losses beyond its investments, if any, in accordance with the guarantee agreements. The Group concludes that its exposure to variability of returns is of such significance that these structured entities shall be consolidated.
- (2) For the private equity funds where the Group is involved as both general partner and limited partner, the Group assesses whether the combination of investments it held together with its remuneration creates exposure to variability of returns from the activities of the funds that is of such significance that it indicates that the Group is a principal. The funds shall be consolidated if the Group acts in the role of principal.
- (3) For the trusts or asset management plans where the Group is involved as manager or trustee and also as investor, the Group assesses whether the combination of investments it held together with its remuneration creates exposure to variability of returns from the activities of such trusts or asset management plans that is of such significance that it indicates that the Group is a principal. The trusts or asset management plans shall be consolidated if the Group acts in the role of principal.

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For the year ended December 31, 2022

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VI. EXPLANATORY NOTES (continued)

36. Interests in consolidated structured entities (continued)

Details of the Group's significant consolidated structured entities are as follows:

Name of structured entity	Paid-in capital/size of trust plan As at December 31 2022 (In RMB' 000)	Proportion of interests held by the Group As at December 31		Principal activities
		2022 (%)	2021 (%)	
Ningbo Meishan Bonded Port Area Jusheng Jiada Investment Partnership (Limited Partnership)	5,746,898	80.86	80.86	Investment management
Jingu • Borui Single Capital Trust No.95	4,488,000	100.00	100.00	Trust
Ningbo Meishan Bonded Port Area Cinda Runze Investment Partnership (Limited Partnership)	4,117,883	100.00	100.00	Investment management
Wuhu Xinshi Heli Investment Management Partnership (Limited Partnership)	4,059,290	100.00	100.00	Investment management
Wuhu Tonghui Investment Partnership (Limited Partnership)	4,001,000	100.00	–	Investment management
Jingu • Borui Assembled Capital Trust No.94	3,672,813	100.00	100.00	Trust
Ningbo Meishan Bonded Port Area Jinxin Tairun Investment Partnership (Limited Partnership)	2,585,250	99.92	99.92	Investment management
Wuhu Guangjiao Huizhan Investment Partnership (Limited Partnership)	2,556,371	100.00	–	Investment management
Ningbo Jingxinhuicheng Investment Partnership (Limited Partnership)	2,501,000	100.00	100.00	Investment management
Ningbo Huirong Qinqi Investment Partnership (Limited Partnership)	2,501,000	99.96	99.96	Investment management
Jingu • Pingmei Shenma Bailout Single Capital Trust	2,363,649	100.00	100.00	Trust
Bohai Trust • Hangzhou Chengmao Capital Trust	2,315,000	100.00	100.00	Trust
Jingu • Shenzhen Baoneng Motor Single Capital Trust	2,290,000	100.00	100.00	Trust
Quanzhou Xinze Investment Partnership (Limited Partnership)	2,000,420	99.85	–	Investment management
Jingu • Jinxiang Trust No.1	1,966,000	100.00	–	Trust
Jingu • Jinxin Capital Trust No.3	1,900,000	100.00	100.00	Trust
Ningbo Meishan Bonded Port Area Xinzhe Investment Partnership (Limited Partnership)	1,681,000	100.00	100.00	Investment management
Jingu • Jinzhao Capital Trust No.8	1,580,000	100.00	–	Trust
Tianjin Wentai Investment Partnership (Limited Partnership)	1,361,000	100.00	100.00	Investment management
Wuhu Xinshi Xinye Investment Management Partnership (Limited Partnership)	1,355,530	100.00	100.00	Investment management

Notes to the Consolidated Financial Statements

For the year ended December 31, 2022
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VI. EXPLANATORY NOTES (continued)

36. Interests in consolidated structured entities (continued)

The financial impact of each of the private equity funds, trusts, asset management plans on the Group's financial position as at December 31, 2022 and 2021, and results and cash flows for the years ended December 31, 2022 and 2021, though consolidated, were not significant and therefore were not disclosed separately.

Interests in all consolidated structured entities directly held by the Company amounted to RMB63,276.92 million and RMB50,610.36 million at December 31, 2022 and 2021, respectively.

Interests held by other interest holders are presented as changes in net assets attributable to other holders of consolidated structured entities in the consolidated statement of profit or loss and included in other liabilities in the consolidated statement of financial position as set out in Note VI.56 Other liabilities.

37. Interests in associates and joint ventures

Group

	As at December 31	
	2022	2021
Interests in associates		
Carrying amount of unlisted companies	44,092,824	39,616,258
Carrying amount of listed companies	27,879,380	27,177,381
Allowance for impairment losses	(1,705,845)	(503,979)
Net carrying amounts of associates	70,266,359	66,289,660
Interests in joint ventures		
Carrying amount of unlisted companies	17,783,254	13,950,404
Allowance for impairment losses	(507,379)	(406,926)
Net carrying amounts of joint ventures	17,275,875	13,543,478
Net carrying amounts	87,542,234	79,833,138

Notes to the Consolidated Financial Statements

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VI. EXPLANATORY NOTES (continued)

37. Interests in associates and joint ventures (continued)

Company

	As at December 31	
	2022	2021
Interests in associates		
Carrying amount of unlisted companies	37,636,158	34,229,276
Carrying amount of listed companies	19,890,043	19,834,049
Allowance for impairment losses	(853,449)	–
Net carrying amounts of associates	56,672,752	54,063,325
Interests in joint ventures		
Carrying amount of unlisted companies	7,821,450	4,122,544
Allowance for impairment losses	–	–
Net carrying amounts of joint ventures	7,821,450	4,122,544
Net carrying amounts	64,494,202	58,185,869

Notes to the Consolidated Financial Statements

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VI. EXPLANATORY NOTES (continued)

37. Interests in associates and joint ventures (continued)

Name of entity	Place of incorporation/ establishment principal activities	Authorized/ paid-in capital As at December 31	Book value		Proportion of equity interests held by the Group		Proportion of voting power held by the Group		Principal activities
			As at December 31	As at December 31	As at December 31	As at December 31	As at December 31	As at December 31	
			2022	2021	2022	2021	2022	2021	
			(In' 000)	(In' 000)	%	%	%	%	
Shenhua Group Zhungeer Energy Co., Ltd.	Ordos, PRC	RMB7,102,343	18,681,664	17,152,756	42.24	42.24	42.24	42.24	Coal mining
Founder Securities Co., Ltd. (1)	Changsha, PRC	RMB8,232,101	5,718,688	5,530,315	8.62	8.62	8.62	8.62	Securities brokerage
Yancoal Australia Ltd.(2)	Australia	AUD6,698,000	5,208,499	4,758,999	13.06	15.89	13.06	15.89	Coal mining
Wengfu Group Co., Ltd.(3)	Guiyang, PRC	RMB4,609,091	5,040,654	4,199,283	32.74	32.74	32.74	32.74	Chemical materials and products
Shenzhen Tencent Cinda Limited Partnership (Limited Partnership) (4)	Shenzhen, PRC	RMB11,007,330	4,176,330	4,112,480	36.35	36.35	50.00	50.00	Investment holding
China Nuclear Engineering Co., Ltd. (5)	Beijing, PRC	RMB2,648,648	4,096,470	3,922,373	11.68	11.67	11.68	11.67	Construction
Huainan Mining (Group) Co., Ltd. (6)	Huainan, PRC	RMB18,102,549	3,694,849	3,440,001	8.32	8.32	8.32	8.32	Coal mining
Kailuan Energy Chemical Co., Ltd.	Tangshan, PRC	RMB1,587,800	3,250,638	3,083,065	21.16	21.24	21.16	21.24	Coal mining
Xinjiang Chang Yuan Water Group Co., Ltd.	Urumqi, PRC	RMB800,000	2,018,112	2,181,689	51.00	51.00	51.00	51.00	Hydraulic generation
China Shipbuilding Industry Group Power Co., Ltd. (7)	Baoding, PRC	RMB2,160,682	1,958,765	1,993,000	5.47	5.47	5.47	5.47	Manufacturing
Xishan Coal Electricity Group Co.,Ltd. (8)	Taiyuan, PRC	RMB10,609,311	1,722,947	812,099	41.14	41.14	41.14	41.14	Coal mining
Baiyin Nonferrous Group Co., Ltd. (9)	Baiyin, PRC	RMB7,404,775	1,511,966	2,035,403	4.63	4.63	4.63	4.63	Mining
Ningxia Western Venture Industrial Co., Ltd. (10)	Yinchuan, PRC	RMB1,458,375	1,124,496	1,178,052	13.78	14.92	13.78	14.92	Transportation

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VI. EXPLANATORY NOTES (continued)

37. Interests in associates and joint ventures (continued)

The above table lists the principal associates and joint ventures of the Group. To give details of other associates and joint ventures would, in the opinion of the management, result in particulars of excessive length. The directors, therefore do not disclose them separately.

- (1) The Company has a 8.62% interest in Founder Securities Co., Ltd. ("Founder Securities"), and the Group has the ability to appoint a director to its board of directors and exercise significant influence on the financial and operating policy decision of Founder Securities. The Group accounts for this investment by equity method as an associate.
- (2) The Group has a 13.06% interest in Yancoal Australia Ltd. ("YAL"), thus the Group can exercise significant influence on the financial and operating policy decision of YAL by appointing a director to its board of directors. The Group accounts for this investment by equity method as an associate.
- (3) The Company has a 32.74% interest in Wengfu Group Co., Ltd. ("Wengfu Group"), thus the Group can exercise significant influence on the financial and operating policy decision of Wengfu Group by appointing five directors to its board of directors. The Group accounts for this investment by equity method as an associate.
- (4) The Group has a 36.35% interest in Shenzhen Tencent Cinda Limited Partnership (Limited Partnership), and has joint control on the financial and operating policy decision of the partnership with other parties under the contractual agreement. The Group accounts for this investment by equity method as a joint venture.
- (5) The Company has a 11.68% interest in China Nuclear Engineering Co., Ltd. ("CNE"), thus the Company can exercise significant influence on the financial and operating policy decision of CNE by appointing a director to its board of directors.
- (6) The Company has a 8.32% interest in Huainan Mining(group) Co., Ltd. ("Huainan Mining"), thus the Group can exercise significant influence on the financial and operating policy decision of Huainan Mining by appointing a director to its board of directors. The Group accounts for this investment by equity method as an associate.
- (7) The Company has a 5.47% interest in China Shipbuilding Industry Group Power Co., Ltd. ("China Shipbuilding"), thus the Company can exercise significant influence on financial and operating policy decision of China Shipbuilding by appointing a director to its board of directors. The Company accounts for this investment by equity method as an associate.
- (8) The Company has a 41.14% interest in Xishan Coal Electricity Group Co., Ltd. ("Xishan Coal Electricity"), thus the Company can exercise significant influence on the financial and operating policy decision of Xishan Coal Electricity by appointing five directors to its board of directors and accrediting two supervisors to its board of supervisors. The Company accounts for this investment by equity method as an associate.
- (9) The Company has a 4.63% interest in Baiyin Nonferrous Group Co., Ltd. ("Baiyin Nonferrous"), thus the Company can exercise significant influence on financial and operating policy decision of Baiyin Nonferrous by appointing a director to its board of directors. The Company accounts for this investment by equity method as an associate.
- (10) The Company has a 13.78% interest in Ningxia Western Venture Industrial Co., Ltd. ("Western Venture"), thus the Company can exercise significant influence on financial and operating policy decision of Western Venture by appointing a director to its board of directors. The Company accounts for this investment by equity method as an associate.

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VI. EXPLANATORY NOTES (continued)

38. Interests in unconsolidated structured entities

The Group is principally involved with structured entities through financial investments. These structured entities generally purchase assets through financing. The Group determines whether or not to consolidate these structured entities depending on whether the Group has control over them. Whether control exists is determined by the manner described in Note VI.36 Interests in consolidated structured entities. The unconsolidated structured entities include private equity funds, trust products, asset management plans and mutual funds, etc. The interests held by the Group in the unconsolidated structured entities are set out as below.

As at December 31, 2022, the maximum exposure to risk and the book value of relevant investments of the Group rising from the interests held in directly invested structured entities that are sponsored by the Group or the third party financial institutions are set out as below:

	December 31, 2022		December 31, 2021	
	Carrying amount	Maximum exposure to risk	Carrying amount	Maximum exposure to risk
Financial assets at fair value through profit or loss	141,044,962	141,044,962	124,424,129	124,424,129
Financial assets at amortized cost	26,190,999	26,190,999	22,791,893	22,791,893
Interests in associates and joint ventures	13,087,862	13,087,862	6,075,008	6,075,008

In 2022, the Group obtained management fee, commission and performance fee amounting to RMB1,833.78 million (2021: RMB1,273.18 million) from unconsolidated structured entities sponsored by the Group, in which the Group held no interest as at the year end.

Notes to the Consolidated Financial Statements

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VI. EXPLANATORY NOTES (continued)

39. Property and equipment Group

	Buildings	Aircrafts	Machinery and equipment	Electronic equipment and furniture	Motor vehicles	Construction in progress	Total
Cost							
As at January 1, 2022	13,999,357	4,784,367	318,761	854,037	215,269	40,402	20,212,193
Acquisition of subsidiaries	-	-	-	178	-	-	178
Additions	1,126,485	-	20,153	140,702	14,217	176,417	1,477,974
Disposals of subsidiaries	(2,223)	-	(1,929)	(3,971)	(1,371)	-	(9,494)
Disposals	(3,728,746)	-	(16,821)	(69,619)	(35,976)	-	(3,851,162)
Construction in progress transfer in/(out)	32,718	-	9,821	3,960	-	(81,908)	(35,409)
Transfer in/(out)	(40,142)	-	-	1,433	-	-	(38,709)
Exchange differences	710,805	221,161	5,762	7,704	868	4,859	951,159
As at December 31, 2022	12,098,254	5,005,528	335,747	934,424	193,007	139,770	18,706,730
Accumulated depreciation							
As at January 1, 2022	(3,029,949)	(505,051)	(222,137)	(676,721)	(152,185)	-	(4,586,043)
Acquisition of subsidiaries	-	-	-	(71)	-	-	(71)
Charge for the year	(521,672)	(229,137)	(31,068)	(76,968)	(12,630)	-	(871,475)
Disposals of subsidiaries	841	-	1,231	2,714	430	-	5,216
Disposals	667,267	-	15,521	54,495	33,148	-	770,431
Exchange differences	(124,991)	(28,134)	(3,951)	(5,092)	(694)	-	(162,862)
As at December 31, 2022	(3,008,504)	(762,322)	(240,404)	(701,643)	(131,931)	-	(4,844,804)
Allowance for impairment losses							
As at January 1, 2022	(1,608)	(72,555)	(16)	-	(346)	(484)	(75,009)
Charge for the year	-	(9,183)	-	-	-	-	(9,183)
Written-offs during the year	(4,493)	-	-	-	108	-	(4,385)
Exchange difference	(21)	(6,983)	-	-	-	-	(7,004)
As at December 31, 2022	(6,122)	(88,721)	(16)	-	(238)	(484)	(95,581)
Net book value							
As at January 1, 2022	10,967,800	4,206,761	96,608	177,316	62,738	39,918	15,551,141
As at December 31, 2022	9,083,628	4,154,485	95,327	232,781	60,838	139,286	13,766,345
Including:							
Net book value of assets pledged as at December 31, 2022	30,255	2,030,497	-	-	-	-	2,060,752

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For the year ended December 31, 2022
(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

39. Property and equipment (continued)

Group (continued)

	Buildings	Aircrafts	Machinery and equipment	Electronic equipment and furniture	Motor vehicles	Construction in progress	Total
Cost							
As at January 1, 2021	14,416,805	5,359,198	307,089	825,303	230,457	20,928	21,159,780
Acquisition of subsidiaries	-	-	-	90	-	-	90
Additions	55,863	-	17,318	82,140	14,966	139,845	310,132
Disposals of subsidiaries	-	-	-	(560)	(813)	-	(1,373)
Disposals	(6,480)	(512,645)	(11,663)	(50,438)	(29,012)	-	(610,238)
Construction in progress transfer in/(out)	15,288	-	7,781	212	-	(119,946)	(96,665)
Transfer in/(out)	(222,385)	-	-	-	-	-	(222,385)
Exchange differences	(259,734)	(62,186)	(1,764)	(2,710)	(329)	(425)	(327,148)
As at December 31, 2021	13,999,357	4,784,367	318,761	854,037	215,269	40,402	20,212,193
Accumulated depreciation							
As at January 1, 2021	(2,579,116)	(334,505)	(202,152)	(646,679)	(167,189)	-	(3,929,641)
Charge for the year	(492,316)	(247,214)	(32,136)	(79,520)	(12,916)	-	(864,102)
Disposals of subsidiaries	-	-	-	392	772	-	1,164
Disposals	2,932	70,992	10,888	47,162	26,898	-	158,872
Exchange differences	38,551	5,676	1,263	1,924	250	-	47,664
As at December 31, 2021	(3,029,949)	(505,051)	(222,137)	(676,721)	(152,185)	-	(4,586,043)
Allowance for impairment losses							
As at January 1, 2021	(4,751)	-	(16)	-	(346)	(484)	(5,597)
Charge for the year	-	(73,371)	-	-	-	-	(73,371)
Written-offs during the year	3,137	-	-	-	-	-	3,137
Exchange difference	6	816	-	-	-	-	822
As at December 31, 2021	(1,608)	(72,555)	(16)	-	(346)	(484)	(75,009)
Net book value							
As at January 1, 2021	11,832,938	5,024,693	104,921	178,624	62,922	20,444	17,224,542
As at December 31, 2021	10,967,800	4,206,761	96,608	177,316	62,738	39,918	15,551,141
Including:							
Net book value of assets pledged as at December 31, 2021	-	2,154,484	-	-	-	-	2,154,484

Notes to the Consolidated Financial Statements

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VI. EXPLANATORY NOTES (continued)

39. Property and equipment (continued)

Group (continued)

As at December 31, 2022 and 2021, the original cost of the fully depreciated property and equipment that were still in use amounted to RMB490.86 million and RMB751.82 million, respectively.

As at December 31, 2022 and 2021, the Group's property and equipment for which the Group has not obtained a certificate of property ownership amounted to RMB470.67 million and RMB504.89 million, respectively.

The net book value of buildings located on land with the following remaining lease terms are as follows:

	As at December 31	
	2022	2021
Net book value:		
– on long-term leases (over 50 years)	2,140,700	2,412,947
– on medium-term leases (10 to 50 years)	6,642,043	8,415,833
– on short-term leases (less than 10 years)	300,885	139,020
Total	9,083,628	10,967,800

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For the year ended December 31, 2022
(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

39. Property and equipment (continued)

Company

	Buildings	Machinery and equipment	Electronic equipment and furniture	Motor vehicles	Construction in progress	Total
Cost						
As at January 1, 2022	1,057,609	104,341	360,086	99,243	–	1,621,279
Additions	–	20	48,909	7,234	8	56,171
Disposals	–	(23)	(18,677)	(10,471)	–	(29,171)
As at December 31, 2022	1,057,609	104,338	390,318	96,006	8	1,648,279
Accumulated depreciation						
As at January 1, 2022	(185,371)	(67,891)	(281,089)	(73,008)	–	(607,359)
Charge for the year	(34,867)	(7,230)	(35,755)	(6,061)	–	(83,913)
Disposals	9	22	18,040	9,708	–	27,779
As at December 31, 2022	(220,229)	(75,099)	(298,804)	(69,361)	–	(663,493)
Net book value						
As at January 1, 2022	872,238	36,450	78,997	26,235	–	1,013,920
As at December 31, 2022	837,380	29,239	91,514	26,645	8	984,786

Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

39. Property and equipment (continued)

Company (continued)

	Buildings	Machinery and equipment	Electronic equipment and furniture	Motor vehicles	Construction in progress	Total
Cost						
As at January 1, 2021	1,057,609	104,690	340,675	99,445	–	1,602,419
Additions	–	25	27,758	7,148	–	34,931
Disposals	–	(374)	(8,347)	(7,350)	–	(16,071)
As at December 31, 2021	1,057,609	104,341	360,086	99,243	–	1,621,279
Accumulated depreciation						
As at January 1, 2021	(150,504)	(61,024)	(247,825)	(74,863)	–	(534,216)
Charge for the year	(34,867)	(7,230)	(41,330)	(5,300)	–	(88,727)
Disposals	–	363	8,066	7,155	–	15,584
As at December 31, 2021	(185,371)	(67,891)	(281,089)	(73,008)	–	(607,359)
Net book value						
As at January 1, 2021	907,105	43,666	92,850	24,582	–	1,068,203
As at December 31, 2021	872,238	36,450	78,997	26,235	–	1,013,920

As at December 31, 2022 and 2021, the original cost of the fully depreciated property and equipment that were still in use amounted to RMB312.06 million and RMB304.5 million, respectively.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2022
(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

39. Property and equipment (continued)

Company (continued)

The net book value of buildings located on land with the following remaining lease terms are as follows:

	As at December 31	
	2022	2021
Net book value:		
– on medium-term leases (10 to 50 years)	837,380	872,238

40. Goodwill

Group

	As at December 31	
	2022	2021
Carrying amount		
At beginning of the year	22,660,148	23,281,626
Exchange differences	1,956,207	(621,478)
At end of the year	24,616,355	22,660,148
Allowance for impairment losses		
At beginning of the year	(1,238,068)	(1,238,068)
Charge for the year	–	–
At end of the year	(1,238,068)	(1,238,068)
Net book value		
At beginning of the year	21,422,080	22,043,558
At end of the year	23,378,287	21,422,080

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VI. EXPLANATORY NOTES (continued)

40. Goodwill (continued)

Group (continued)

The goodwill acquired through the business combination of NCB, which was accounted for as the major portion of the Group's goodwill as of December 31, 2022, is allocated to the NCB cash-generating units for impairment testing. The recoverable amount of the NCB cash-generating units has been determined based on a value-in-use calculation method, using cash flow projections based on both financial forecasts covering a 5-year period ("projection period") approved by senior management and a forward speculated 5-year period ("transition period"). The stable growth rate used to extrapolate the cash flows of NCB cash-generating units beyond the 10-year period are fixed at 1.20% (for the year ended December 31, 2021: 1.04%) (Hong Kong) and 2.53% (for the year ended December 31, 2021: 2.52%) (Mainland China), respectively, which does not exceed the long-term average growth rate of the banking industry. The pre-tax discount rates applied to the goodwill impairment testing are 10.90% (for the year ended December 31, 2021: 9.52%) (Hong Kong) and 11.06% (for the year ended December 31, 2021: 12.44%) (Mainland China), respectively.

The key assumptions used to calculate the present value of future cash flow on NCB cash-generating units may change, and the management holds that any reasonable fluctuation of key assumptions will not lead to a lower recoverable amount of the NCB cash-generating units as compared with the book value of NCB cash-generating units containing the goodwill, thus no impairment losses need to be recognized.

For the goodwill impairment testing, the Group makes the following assumptions on the key hypothesis in the process of cash flow projection: 1) Discount rate: pre-tax discount rate reflecting the specific risk of the relevant cash-generating units; 2) Cash flow's growth rate: based on both the past performance and the projection of market development. The information used by the Group in determining these key assumptions is consistent with external and internal information.

Notes to the Consolidated Financial Statements

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VI. EXPLANATORY NOTES (continued)

41. Other intangible assets

Group

	Trading rights	Computer software systems and others	Trade names	Core deposits intangible	Credit card customer relationships	Total
Cost						
As at January 1, 2022	23,717	1,056,560	564,912	3,447,795	7,457	5,100,441
Disposals of subsidiaries	-	(1,861)	-	-	-	(1,861)
Additions	-	457,630	-	-	-	457,630
Disposals	-	(2,245)	-	-	-	(2,245)
Exchange differences	100	18,725	52,283	319,098	690	390,896
Others	-	3,016	-	-	-	3,016
As at December 31, 2022	23,817	1,531,825	617,195	3,766,893	8,147	5,947,877
Accumulated amortization						
As at January 1, 2022	-	(614,197)	-	(962,510)	(4,108)	(1,580,815)
Charge for the year	-	(138,265)	-	(181,918)	(776)	(320,959)
Disposals of subsidiaries	-	1,504	-	-	-	1,504
Disposals	-	1,475	-	-	-	1,475
Exchange differences	-	(7,045)	-	(95,509)	(408)	(102,962)
Others	-	(1,433)	-	-	-	(1,433)
As at December 31, 2022	-	(757,961)	-	(1,239,937)	(5,292)	(2,003,190)
Net book value						
As at January 1, 2022	23,717	442,363	564,912	2,485,285	3,349	3,519,626
As at December 31, 2022	23,817	773,864	617,195	2,526,956	2,855	3,944,687

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VI. EXPLANATORY NOTES (continued)

41. Other intangible assets (continued)

Group (continued)

	Trading rights	Computer software systems and others	Trade names	Core deposits intangible	Credit card customer relationships	Total
Cost						
As at January 1, 2021	23,749	934,691	581,522	3,549,171	7,676	5,096,809
Disposals of subsidiaries	-	(52)	-	-	-	(52)
Additions	-	125,755	-	-	-	125,755
Disposals	-	(774)	-	-	-	(774)
Exchange differences	(32)	(2,907)	(16,610)	(101,376)	(219)	(121,144)
Others	-	(153)	-	-	-	(153)
As at December 31, 2021	23,717	1,056,560	564,912	3,447,795	7,457	5,100,441
Accumulated amortization						
As at January 1, 2021	-	(478,601)	-	(813,352)	(3,472)	(1,295,425)
Charge for the year	-	(137,446)	-	(174,863)	(746)	(313,055)
Disposals of subsidiaries	-	23	-	-	-	23
Disposals	-	730	-	-	-	730
Exchange differences	-	1,097	-	25,705	110	26,912
As at December 31, 2021	-	(614,197)	-	(962,510)	(4,108)	(1,580,815)
Net book value						
As at January 1, 2021	23,749	456,090	581,522	2,735,819	4,204	3,801,384
As at December 31, 2021	23,717	442,363	564,912	2,485,285	3,349	3,519,626

Notes to the Consolidated Financial Statements

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VI. EXPLANATORY NOTES (continued)

41. Other intangible assets (continued)

Company

	Computer software systems and others	Total
Cost		
As at January 1, 2022	127,661	127,661
Additions	14,872	14,872
Disposals	(5,450)	(5,450)
As at December 31, 2022	137,083	137,083
Accumulated amortization		
As at January 1, 2022	(109,488)	(109,488)
Charge for the year	(10,788)	(10,788)
Disposals	5,450	5,450
As at December 31, 2022	(114,826)	(114,826)
Net book value		
As at January 1, 2022	18,173	18,173
As at December 31, 2022	22,257	22,257

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VI. EXPLANATORY NOTES (continued)

41. Other intangible assets (continued)

Company (continued)

	Computer software systems and others	Total
Cost		
As at January 1, 2021	119,830	119,830
Additions	7,831	7,831
As at December 31, 2021	127,661	127,661
Accumulated amortization		
As at January 1, 2021	(95,832)	(95,832)
Charge for the year	(13,656)	(13,656)
As at December 31, 2021	(109,488)	(109,488)
Net book value		
As at January 1, 2021	23,998	23,998
As at December 31, 2021	18,173	18,173

42. Deferred taxation

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

Group

	As at December 31	
	2022	2021
Deferred tax assets	11,190,829	7,782,053
Deferred tax liabilities	(1,943,766)	(2,159,381)
Deferred taxation	9,247,063	5,622,672

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For the year ended December 31, 2022
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VI. EXPLANATORY NOTES (continued)

42. Deferred taxation (continued)

Group (continued)

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

	Allowance for impairment losses	Withholding tax appreciation	land	Fair value adjustments in business combination	Asset revaluation	Staff costs accrued but not paid	Interest capitalized on properties held for sale	Tax losses	Provisions	Changes in fair value of financial assets at FVTPL	Temporary differences related to the cost of associates and joint ventures (j)	Changes in fair value and impairment losses on financial assets at FVOCI	Unrealized loss due to income rights transfer	Others	Total
As at January 1, 2022	8,454,244	470,998		(861,790)	(872,656)	1,229,927	736,294	191,752	129,517	824,398	(5,336,358)	126,696	447,624	82,026	5,622,672
Credit/(charge) to profit or loss	1,762,888	(91,804)		280,321	41,375	(139,201)	(222,423)	(12,598)	(7,868)	772,066	(1,395,122)	(7,795)	41,469	1,399,803	2,421,081
Charge to other comprehensive income/(loss)	-	-	-	-	-	(6,926)	-	-	-	-	(21,163)	1,132,709	-	9,026	1,113,646
Others	13,930	-	-	(52,462)	(63,377)	(8,412)	(96,249)	-	625	(44,023)	309,284	5,631	-	24,717	89,664
As at December 31, 2022	10,231,062	379,194		(633,931)	(894,656)	1,075,388	417,622	179,154	122,274	1,552,411	(6,443,359)	1,257,241	489,093	1,515,572	9,247,063

Notes to the Consolidated Financial Statements

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VI. EXPLANATORY NOTES (continued)

42. Deferred taxation (continued) Group (continued)

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

	Allowance for impairment losses	Withholding tax	Fair value adjustments in business combination	Fair value adjustments in business combination	Staff costs accrued but not paid	Interest capitalized on properties held for sale	Tax losses	Provisions at FVTPL	Changes in fair value of financial assets	Temporary differences related to the cost of associates and joint ventures(i)	Changes in fair value and impairment losses on financial assets at FVOCI	Others	Total
As at January 1, 2021	8,043,482	537,486	(924,053)	(910,483)	1,139,037	703,018	270,401	102,340	1,787,303	(4,897,229)	202,779	689,017	6,577,096
Credit/(charge) to profit or loss	420,013	29,489	30,436	33,147	87,572	33,276	(78,124)	27,325	(958,633)	(603,248)	13,307	(241,393)	(928,112)
Charge to other comprehensive income/(loss)	-	-	-	-	(538)	-	-	-	-	5,518	(91,287)	-	(86,287)
Others	(9,251)	(95,977)	20,961	15,546	3,856	-	(525)	(148)	(4,272)	158,601	1,877	(30,693)	59,975
As at December 31, 2021	8,454,244	470,998	(872,666)	(861,790)	1,229,927	736,294	191,732	129,517	824,398	(5,336,358)	126,686	447,624	5,622,672

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

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VI. EXPLANATORY NOTES (continued)

42. Deferred taxation (continued)

Group (continued)

Tax losses and temporary differences that are not recognized as deferred income tax assets are as follows:

	As at December 31	
	2022	2021
Unused tax losses	4,984,591	3,021,389
Deductible temporary differences	4,327,183	3,425,457
Total	9,311,774	6,446,846

As at December 31, 2022, the above unused tax losses would expire from 2023 to 2027 (As at December 31, 2021: from 2022 to 2026).

Company

	As at December 31	
	2022	2021
Deferred tax assets	6,180,080	3,612,965
Deferred tax liabilities	–	–
Deferred taxation	6,180,080	3,612,965

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VI. EXPLANATORY NOTES (continued)

42. Deferred taxation (continued)

Company (continued)

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

	Allowance for impairment losses	Staff costs accrued but not paid	Provisions	Changes in fair value of financial assets at FVTPL	Changes in fair value and impairment losses on financial assets at FVOCI	Temporary differences related to the cost of associates and joint ventures (i)	Unrealized loss due to income rights transfer	Others	Total
As at January 1, 2022	6,101,709	615,591	57,839	1,112,933	211,899	(5,307,578)	447,624	372,948	3,612,965
Credit/(charge) to profit or loss	1,344,998	(2,030)	-	177,260	-	(1,314,411)	41,469	1,221,505	1,468,791
Charge to other comprehensive income/(loss)	-	-	-	-	800,341	(12,136)	-	-	788,205
Charge to capital reserve	-	-	-	-	-	310,119	-	-	310,119
As at December 31, 2022	7,446,707	613,561	57,839	1,290,193	1,012,240	(6,324,006)	489,093	1,594,453	6,180,080
As at January 1, 2021	5,799,301	593,629	57,839	2,012,446	270,756	(4,852,625)	689,017	227,743	4,798,106
Credit/(charge) to profit or loss	302,408	21,962	-	(899,513)	(105)	(619,071)	(241,393)	145,205	(1,290,507)
Charge to other comprehensive income/(loss)	-	-	-	-	(58,752)	5,517	-	-	(53,235)
Charge to capital reserve	-	-	-	-	-	158,601	-	-	158,601
As at December 31, 2021	6,101,709	615,591	57,839	1,112,933	211,899	(5,307,578)	447,624	372,948	3,612,965

- (i) The temporary differences related to the costs of associates and joint ventures are temporary differences arising from the difference between the book values and the tax bases for the associates and joint ventures not held for long-term by the Company.

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VI. EXPLANATORY NOTES (continued)

43. Other assets

Group

	As at December 31	
	2022	2021
Assets in satisfaction of debts (1)	13,227,885	10,889,344
Other receivables (2)	8,469,127	10,304,039
Prepayments	3,804,981	6,248,776
Dividends receivable	1,905,299	1,305,948
Prepaid taxes	1,776,799	3,650,019
Right-of-use assets	1,047,723	1,067,132
Interest receivable	690,233	411,766
Long-term prepaid expenses	324,120	288,974
Assets with continuing involvement (Note VI.67)	322,620	409,205
Precious metals	275,604	303,483
Others	535,346	819,149
Total	32,379,737	35,697,835

Company

	As at December 31	
	2022	2021
Assets in satisfaction of debts (1)	9,107,258	9,061,056
Dividends receivable	3,847,375	2,531,347
Prepayments	2,405,734	4,027,256
Other receivables (2)	2,172,586	2,100,127
Right-of-use assets	625,312	736,184
Interest receivable	430,541	83,782
Assets with continuing involvement (Note VI.67)	322,620	409,205
Long-term prepaid expenses	46,642	32,417
Prepaid taxes	–	1,879,581
Others	13,928	482,392
Total	18,971,996	21,343,347

Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

43. Other assets (continued)

(1) Assets in satisfaction of debts

Assets in satisfaction of debts include those obtained from the Group's debtors to settle their defaulted debts and those acquired directly from financial institutions, which came into their possession through similar arrangements.

Group

	As at December 31	
	2022	2021
Buildings	13,566,190	10,919,524
Land use rights	390,594	457,357
Others	197,585	255,376
Subtotal	14,154,369	11,632,257
Less: Allowance for impairment losses	926,484	742,913
Net book value	13,227,885	10,889,344

Company

	As at December 31	
	2022	2021
Buildings	9,308,482	9,049,202
Land use rights	390,594	457,357
Others	239,618	297,410
Subtotal	9,938,694	9,803,969
Less: Allowance for impairment losses	831,436	742,913
Net book value	9,107,258	9,061,056

Notes to the Consolidated Financial Statements

For the year ended December 31, 2022
(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

43. Other assets (continued)

(2) Other receivables

Group

	As at December 31	
	2022	2021
Other receivables	9,188,231	11,388,821
Less: Allowance for impairment losses	719,104	1,084,782
Net book value	8,469,127	10,304,039

Company

	As at December 31	
	2022	2021
Other receivables	2,176,081	2,103,622
Less: Allowance for impairment losses	3,495	3,495
Net book value	2,172,586	2,100,127

Other receivables mainly include guarantee deposits and accounts receivable relating to assets disposal within one year.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

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VI. EXPLANATORY NOTES (continued)

44. Borrowings from central bank

Group

	As at December 31	
	2022	2021
Borrowings from central bank	986,058	996,043

Company

	As at December 31	
	2022	2021
Borrowings from central bank	986,058	986,058

The borrowings from the central bank are the outstanding interest on the loans from the People's Bank of China for purchasing the non-performing assets of commercial banks.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2022
(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

45. Accounts payable to brokerage clients

Group

	As at December 31	
	2022	2021
Personal customers	12,444,454	14,049,882
Corporate customers	6,662,759	3,555,707
Total	19,107,213	17,605,589

Accounts payable to brokerage clients mainly include money held on behalf of clients at banks and at clearing houses by the Group, and the portion relating to securities brokerage clients amounting to RMB12,320.49 million at December 31, 2022 (As at December 31, 2021: RMB14,194.96 million) bears interest at the prevailing market interest rate.

The majority of the accounts payable balances are repayable on demand except where certain balances represent margin deposits and cash collateral received from clients for their trading activities under normal course of business. Only the excess amounts over the required margin deposits and cash collateral stipulated are repayable on demand.

No ageing analysis is disclosed as in the opinion of the directors of the Company, as the ageing analysis does not give additional value to the readers of this report in view of the nature of this business.

As at December 31, 2022 and 2021, included in the Group's accounts payable to brokerage clients were cash collateral of approximately RMB1,227.43 million and RMB1,445.19 million received from clients for margin financing and securities lending arrangement, respectively.

As at December 31, 2022 and 2021, the Company had no accounts payable to brokerage clients.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

46. Financial liabilities at fair value through profit or loss

Group

	As at December 31	
	2022	2021
Derivative financial liabilities (Note VI.25.(1))	1,051,739	668,546
Short positions in exchange fund bills and notes	9,416,399	6,903,073
Financing payables linked to stock index	216,751	371,320
Total	10,684,889	7,942,939

Company

	As at December 31	
	2022	2021
Income guarantee and repurchase commitment	95,851	164,524
Total	95,851	164,524

Notes to the Consolidated Financial Statements

For the year ended December 31, 2022
(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

47. Financial assets sold under repurchase agreements

Group

	As at December 31	
	2022	2021
By collateral type:		
Debt securities	42,171,187	15,087,671
Finance lease receivables	1,000,000	–
Fund	32,292	–
Subtotal	43,203,479	15,087,671
Interest payable	222,166	8,099
Total	43,425,645	15,095,770

The Company had no financial assets sold under repurchase agreements as at December 31, 2022 and 2021.

48. Placements from banks and financial institutions

Group

	As at December 31	
	2022	2021
Placements from banks	14,770,123	12,236,585
Placements from financial institutions	5,640,000	4,021,802
Subtotal	20,410,123	16,258,387
Interest payable	67,927	19,270
Total	20,478,050	16,277,657

Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

48. Placements from banks and financial institutions (continued)

Company

	As at December 31	
	2022	2021
Placements from banks	–	–
Placements from financial institutions	4,040,000	–
Subtotal	4,040,000	–
Interest payable	1,048	–
Total	4,041,048	–

49. Borrowings

Group

	As at December 31	
	2022	2021
Banks and other financial institutions borrowings		
Unsecured loans	579,555,583	514,728,445
Loans secured by properties	10,898,795	9,153,739
Other secured loans	21,519,381	27,335,508
Subtotal	611,973,759	551,217,692
Interest payable	3,384,165	3,861,448
Total	615,357,924	555,079,140

Loans secured by properties were collateralized by investment properties, properties held for sale, property and equipment at an aggregate carrying amount of RMB14,041 million as at December 31, 2022 (As at December 31, 2021: RMB17,588 million).

Other secured loans were collateralized by interests in associates and joint ventures, and finance lease receivables at an aggregate carrying amount of RMB12,157 million as at December 31, 2022 (As at December 31, 2021: RMB7,739 million).

Notes to the Consolidated Financial Statements

For the year ended December 31, 2022
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VI. EXPLANATORY NOTES (continued)

49. Borrowings (continued)

Group (continued)

	As at December 31	
	2022	2021
Carrying amount repayable*:		
Within one year	394,477,609	449,001,962
More than one year, but not exceeding two years	166,515,121	60,598,314
More than two years, but not exceeding five years	28,313,749	19,318,730
More than five years	1,792,810	3,487,257
Interest payable	3,274,115	3,761,583
Subtotal	594,373,404	536,167,846
Carrying amount of borrowings that contain a repayment on demand clause repayable:		
Within one year	3,095,705	705,335
More than one year, but not exceeding two years	–	2,020,886
More than two years, but not exceeding five years	17,688,765	16,085,208
More than five years	90,000	–
Interest payable	110,050	99,865
Subtotal	20,984,520	18,911,294
Total	615,357,924	555,079,140

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

Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

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VI. EXPLANATORY NOTES (continued)

49. Borrowings (continued)

Group (continued)

The exposure of the Group's fixed-rate borrowings by the remaining contractual maturity period is as follows:

	As at December 31	
	2022	2021
Fixed-rate borrowings:		
Within one year	384,865,153	397,940,512
More than one year, but not exceeding two years	165,633,621	57,605,386
More than two years, but not exceeding five years	42,830,102	32,689,492
More than five years	1,709,810	2,124,962
Subtotal	595,038,686	490,360,352
Interest payable	2,910,035	3,462,783
Total	597,948,721	493,823,135

Notes to the Consolidated Financial Statements

For the year ended December 31, 2022
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VI. EXPLANATORY NOTES (continued)

49. Borrowings (continued)

Group (continued)

In addition, the Group has variable-rate borrowings which carry interest based on borrowing or deposit benchmark interest rate of PBOC, Hong Kong Inter-bank Offered Rate (“HIBOR”), Secured Overnight Financing Rate (“SOFR”), Tokyo Overnight Average Rate (“TONA”), Euro Short-Term Rate (“€STR”) or the Loan Prime Rate (“LPR”).

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

	As at December 31	
	2022	2021
Effective interest rate		
Fixed-rate borrowings	2.00%-7.50%	1.09%-6.50%
Variable-rate borrowings	0.11%-6.35%	0.78%-4.75%

Company

	As at December 31	
	2022	2021
Bank borrowings		
Unsecured loans	486,271,800	435,467,500
Interest payable	2,586,273	3,345,056
Total	488,858,073	438,812,556

The ranges of effective interest rates (which are also equal to contractual interest rates) on the Company’s borrowings are as follows:

	As at December 31	
	2022	2021
Effective interest rate		
Fixed-rate borrowings	2.00%-4.50%	2.20%-5.90%
Variable-rate borrowings	—	—

Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

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VI. EXPLANATORY NOTES (continued)

50. Due to customers

Group

	As at December 31	
	2022	2021
Demand deposits		
Corporate	60,498,654	50,122,601
Personal	41,414,718	49,754,637
Time deposits		
Corporate	101,259,836	111,651,291
Personal	104,049,259	73,988,454
Guarantee deposits	13,889,870	12,078,885
Subtotal	321,112,337	297,595,868
Interest payable	1,928,192	1,152,251
Total	323,040,529	298,748,119

The Company had no due to customers at the end of 2022 and 2021.

51. Deposits from banks and financial institutions

Group

	As at December 31	
	2022	2021
Banks	2,655,835	3,151,217
Other financial institutions	10,049,564	16,649,017
Subtotal	12,705,399	19,800,234
Interest payable	143,440	176,672
Total	12,848,839	19,976,906

The Company had no deposits from banks and financial institutions at the end of 2022 and 2021.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2022
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VI. EXPLANATORY NOTES (continued)

52. Accounts payable

Group

	As at December 31	
	2022	2021
Accounts payable associated with real estate business (1)	4,205,662	4,326,082
Asset purchase payable	21,000	433,000
Others	720,241	630,406
Total	4,946,903	5,389,488

Company

	As at December 31	
	2022	2021
Asset purchase payable	21,000	433,000
Total	21,000	433,000

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

No ageing analysis is disclosed as in the opinion of the directors of the Company, as the ageing analysis on these items does not give additional value to the readers of this report in view of the nature of these items.

Notes to the Consolidated Financial Statements

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VI. EXPLANATORY NOTES (continued)

53. Tax payable

Group

	As at December 31	
	2022	2021
PRC Enterprise Income Tax	2,643,652	1,489,815
PRC Land Appreciation Tax	1,984,282	2,177,591
Hong Kong Profits Tax	(427,121)	147,068
Total	4,200,813	3,814,474

Company

	As at December 31	
	2022	2021
PRC Enterprise Income Tax	820,012	–
Total	820,012	–

Notes to the Consolidated Financial Statements

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VI. EXPLANATORY NOTES (continued)

54. Bonds issued

Group

Bonds Type	Notes	As at December 31, 2022					As at December 31, 2021
		Face Value	Currency	Term	Bond Rate/ Expected Return Rate	Book Value	Book Value
Financial Bonds		117,100,000	CNY	9 months-10 years	2.20%-5.50%	120,294,574	114,468,604
USD Guaranteed Senior Notes	(1)	12,834,992	USD	3-30 years	1.25%-5.625%	89,970,404	86,207,996
Corporate Bonds	(2)(3)(4)	23,875,000	CNY	3-8 years	3.18%-4.94%	24,481,722	19,671,934
Asset-backed Securities		24,997,425	CNY	10 months-3 years	2.90%-4.10%	24,134,343	111,573,378
Mid-term Notes	(5)	9,290,000	CNY	3-5 years	2.99%-5.10%	9,515,767	7,072,217
Certificates of Deposit		9,430,000	CNY	3 months-1 year	1.90%-2.90%	9,341,264	4,235,122
Tier-II Capital Bonds	(6)	8,000,000	CNY	5 years	4.50%	8,025,068	8,022,920
Subordinate Notes	(7)	700,000	USD	10 years	3.80%	4,872,980	4,456,972
Debt Financing Plans		907,000	CNY	3 years	3.50%-5.00%	902,049	2,603,851
Beneficiary Certificates		725,790	CNY	1-9 months	2.08%-3.50%	730,850	5,286,938
Private Placement Notes		600,000	CNY	3 years	5.00%	604,767	-
HKD Bonds	(8)	10,000	HKD	10 years	2.50%	9,004	8,282
Subordinate Bonds		-	N/A	N/A	N/A	-	2,681,478
Certificates of Deposit		-	N/A	N/A	N/A	-	765,619
Asset-backed Notes		-	N/A	N/A	N/A	-	751,434
Total						292,882,792	367,806,745

Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

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VI. EXPLANATORY NOTES (continued)

54. Bonds issued (continued)

Company

Bonds Type	Notes	As at December 31, 2022					As at December 31, 2021
		Face Value	Currency	Term	Bond Rate/ Expected Return Rate	Book Value	Book Value
Financial Bonds		95,000,000	CNY	3-10 years	2.85%-5.50%	97,632,038	91,719,293
Asset-backed Securities		19,520,000	CNY	10 months-3 years	2.90%-4.10%	19,749,551	102,931,054
Tier-II Capital Bonds	(6)	8,000,000	CNY	5 years	4.50%	8,013,576	8,007,791
Total						125,395,165	202,658,138

- (1) China Cinda Financial Co., Ltd., a subsidiary of China Cinda (Hong Kong) Holdings Limited ("Cinda Hong Kong"), issued a total face value of USD12,835 million of Guaranteed Senior Notes (the "USD Notes") in Hong Kong in May 2014, December 2017, February 2019, January 2021 and January 2022. The USD Notes have fixed coupon rates, payable semi-annually. At any time prior to the date of maturity of the USD Notes, the issuer or Cinda Hong Kong may redeem the USD Notes, in whole or in part.
- (2) The Company's subsidiary Cinda Investment Co., Ltd. ("Cinda Investment") issued corporate bonds with a face value of RMB3,000 million and RMB2,000 million in December 2015 and January 2016, respectively. The bonds have fixed coupon rates, payable annually, with the issuer's option to adjust the coupon rate and the investor's option to sell back at the end of the fifth year. The issuer adjusted the coupon rate and the investors sold back part of the bonds in December 2020 and January 2021. Cinda Investment issued corporate bonds with a total face value of RMB6,375 million in May 2019 and August 2019. The bonds have fixed coupon rates, payable annually, with the issuer's option to adjust the coupon rate and the investor's option to sell back at the end of the third year. In May 2022, the issuer and the investors adjusted the coupon rate and sold back part of the bonds issued in May 2019. In August 2022, the issuer and the investors adjusted the coupon rate and sold back part of the bonds issued in August 2019.
- (3) Cinda Real Estate Co., Ltd. ("Cinda Real Estate"), a subsidiary of Cinda Investment, issued Type I and II corporate bonds with total face value of RMB2,770 million in January 2021, the bonds have fixed coupon rates, payable annually. The face value of Type I is RMB1,720 million, with the issuer's option to adjust the coupon rate and the investor's option to sell back at the end of the second and the end of the fourth year. The face value of Type II is RMB1,050 million, with the issuer's option to adjust the coupon rate and the investor's option to sell back at the end of the third year. Cinda Real Estate issued Type I and II corporate bonds with total face value of RMB3,030 million in March of 2021, the bonds have fixed coupon rates, payable annually. The face value of Type I is RMB2,020 million, with the issuer's option to adjust the coupon rate and the investor's option to sell back at the end of the second and the end of the fourth year. The face value of Type II is RMB1,010 million, with the issuer's option to adjust the coupon rate and the investor's option to sell back at the end of the third year. Cinda Real Estate issued Type I and II corporate bonds with total face value of RMB1,200 million in May 2022, the bonds have fixed coupon rates, payable annually. The face value of Type I is RMB600 million, with the issuer's option to adjust the coupon rate and the investor's option to sell back at the end of the second year. The face value of Type II is RMB600 million, with the issuer's option to adjust the coupon rate and the investor's option to sell back at the end of the third year. Cinda Real Estate issued corporate bonds with total face value of RMB1,500 million in August 2022, the bonds have fixed coupon rates, payable annually, with the issuer's option to adjust the coupon rate and the investor's option to sell back at the end of the second and the end of the fourth year.

Notes to the Consolidated Financial Statements

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VI. EXPLANATORY NOTES (continued)

54. Bonds issued (continued)

Company (continued)

- (4) Well Kent International Enterprises (Shenzhen) Co., Ltd., a subsidiary of Cinda Hong Kong, issued a corporate bond with a total face value of RMB2,000 million in March 2020 and May 2020. The bond has fixed coupon rate, payable annually, with the issuer's option to adjust the coupon rate and the investor's option to sell back at the end of the third year. Well Kent International Enterprises (Shenzhen) Co., Ltd. issued a corporate bond with a total face value of RMB2,000 million in March 2022 and June 2022. The bond has fixed coupon rate, payable annually, with the issuer's option to adjust the coupon rate and the investor's option to sell back at the end of the second year.
- (5) The Cinda Investment issued a medium-term note with a face value of RMB2,000 million and RMB1,770 million in April 2020 and March 2022, with fixed coupon rate, payable annually, with the issuer's option to adjust the coupon rate and the investor's option to sell back at the end of the third year.
- (6) The tier-II capital bonds were issued by the Company in June 2016 and November 2020, with the total face value of RMB18,000 million. The bonds have a fixed coupon rate, payable annually and conditionally redeemable at the end of the fifth year. The issuer has the right to redeem the bond at par value in whole or in part subject to the approval of the China Banking and Insurance Regulatory Commission (the "CBIRC"). In June 2021, the issuer redeemed the tier-II capital bonds with a face value of RMB10,000 million issued in June 2016 with the approval of the CBIRC.
- (7) Nanyang Commercial Bank Limited, a subsidiary of Cinda Hong Kong, issued a subordinate note in November 2019 with the face value of USD700 million, with fixed coupon rate, payable semi-annually. The coupon rate will be reset at the end of the fifth year.
- (8) Cinda International Holding Limited ("Cinda International"), a subsidiary of Cinda Securities, issued HKD bonds with a face value of HKD10 million in September 2013, with fixed coupon rates, payable annually, the issuer and investors have the option to defer at the end of the fifth year. In September 2018, the investor exercised the option to extend the maturity date by 24 months, and in September 2020, the investors extended the bond maturity date to September 2022, and in September 2022, the investors extended the bond maturity date to March 2023.

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VI. EXPLANATORY NOTES (continued)

55. Contract liabilities

Group

	As at December 31	
	2022	2021
Sales proceeds received in advance (1)	7,223,029	13,287,716
Others	302,612	393,657
Total	7,525,641	13,681,373

(1) Sales proceeds received in advance

	2022	2021
At beginning of the year	13,287,716	14,725,445
Deferred during the year	10,018,643	19,036,359
Recognized as revenue during the year	(16,083,330)	(20,474,088)
At end of the year	7,223,029	13,287,716

As at December 31, 2022, all contract liabilities of the Group were held by Cinda Real Estate and Cinda Securities, the subsidiaries of the Company. The contract liabilities are mainly sales proceeds received in advance by Cinda Real Estate.

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VI. EXPLANATORY NOTES (continued)

56. Other liabilities

Group

	As at December 31	
	2022	2021
Other payables	24,958,981	12,993,362
Staff costs payable (1)	6,323,079	6,957,449
Risk deposit	5,865,718	4,968,365
Payables to interest holders of consolidated structured entities (<i>Note VI.36</i>)	4,215,054	4,075,810
Receipts in advance associated with disposal of distressed assets	2,768,527	1,475,059
Sundry taxes payable	1,445,261	1,978,948
Lease liabilities	1,035,250	1,044,126
Provisions (2)	779,128	828,759
Deferred income related to leasing business	625,732	631,529
Long-term payable	565,568	632,901
Notes payable	451,493	1,089,392
Receipts in advance	393,626	322,142
Liabilities with continuing involvement (<i>Note VI.67</i>)	322,620	–
Items in the process of clearance and settlement	147,843	277,445
Others	666,911	654,883
Total	50,564,791	37,930,170

Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

56. Other liabilities (continued)

Group (continued)

(1) Staff costs payable

	2022			
	As at January 1	Increase in the current year	Decrease in the current year	As at December 31
Wages or salaries, bonuses, allowances and subsidies	6,004,625	4,582,453	(5,318,630)	5,268,448
Social insurance	91,075	357,385	(316,163)	132,297
Defined contribution plans	211,625	609,504	(574,125)	247,004
Defined benefit plans (i)	124,815	6,109	(35,550)	95,374
Housing funds	2,375	260,106	(259,118)	3,363
Labor union fees and staff education expenses	394,807	130,100	(89,823)	435,084
Others	128,127	319,071	(305,689)	141,509
Total	6,957,449	6,264,728	(6,899,098)	6,323,079
	2021			
	As at January 1	Increase in the current year	Decrease in the current year	As at December 31
Wages or salaries, bonuses, allowances and subsidies	6,139,622	5,001,722	(5,136,719)	6,004,625
Social insurance	81,183	326,759	(316,867)	91,075
Defined contribution plans	159,438	564,237	(512,050)	211,625
Defined benefit plans (i)	129,747	4,918	(9,850)	124,815
Housing funds	3,058	236,378	(237,061)	2,375
Labor union fees and staff education expenses	373,351	119,342	(97,886)	394,807
Others	106,766	349,951	(328,590)	128,127
Total	6,993,165	6,603,307	(6,639,023)	6,957,449

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For the year ended December 31, 2022
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VI. EXPLANATORY NOTES (continued)

56. Other liabilities (continued)

Group (continued)

(1) Staff costs payable (continued)

(i) Defined benefit plans

Movements of retirement benefit of the Group's subsidiary NCB are as follows:

	2022	2021
At beginning of the year	124,815	129,747
Current service cost	4,030	3,276
Interest cost	2,079	1,642
Actuarial gains on remeasurement	(41,975)	(3,259)
Benefit paid	(3,727)	(2,903)
Exchange differences	10,152	(3,688)
At end of the year	95,374	124,815

Principal actuarial assumptions used are as follows:

	As at December 31	
	2022	2021
Discount rate	3.8%	1.6%
Expected rate of medical insurance cost increases	6%	6%
Expected rate of social entertainment cost increases	0%	0%
Expected rate of retirement souvenir cost increases	0%	0%
Expected rate of rental increases	3%	3%
Expected rate of withdrawal	3%-18%	3%-18%
Expected death rate	Hong Kong Life Tables 2021	Hong Kong Life Tables 2020

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VI. EXPLANATORY NOTES (continued)

56. Other liabilities (continued)

Group (continued)

(2) Movements of provisions

	2022	2021
At beginning of the year	828,759	791,150
Provided for the year	470,661	1,121,965
Settled/Reversed	(520,292)	(1,084,356)
At end of the year	779,128	828,759

Company

	As at December 31	
	2022	2021
Other payables	4,688,495	3,949,552
Staff costs payable (1)	2,918,827	2,892,121
Receipts in advance associated with disposal of distressed assets	2,768,527	1,475,059
Lease liabilities	615,666	707,025
Liabilities with continuing involvement	322,620	–
Sundry taxes payable	214,883	276,520
Provisions (2)	169,971	169,971
Others	101,124	99,996
Total	11,800,113	9,570,244

Notes to the Consolidated Financial Statements

For the year ended December 31, 2022
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VI. EXPLANATORY NOTES (continued)

56. Other liabilities (continued)

Company (continued)

(1) Staff costs payable

	2022			As at December 31
	As at January 1	Increase in the current year	Decrease in the current year	
Wages or salaries, bonuses, allowances and subsidies	2,659,115	1,581,153	(1,614,705)	2,625,563
Social insurance	48,928	143,391	(109,080)	83,239
Defined contribution plans	6,039	219,469	(219,951)	5,557
Housing funds	532	92,539	(92,667)	404
Labor union fees and staff education expenses	176,655	56,060	(29,523)	203,192
Others	852	90,551	(90,531)	872
Total	2,892,121	2,183,163	(2,156,457)	2,918,827

	2021			As at December 31
	As at January 1	Increase in the current year	Decrease in the current year	
Wages or salaries, bonuses, allowances and subsidies	2,761,295	1,458,246	(1,560,426)	2,659,115
Social insurance	40,131	132,826	(124,029)	48,928
Defined contribution plans	4,814	189,966	(188,741)	6,039
Housing funds	147	84,106	(83,721)	532
Labor union fees and staff education expenses	156,485	51,762	(31,592)	176,655
Others	574	87,731	(87,453)	852
Total	2,963,446	2,004,637	(2,075,962)	2,892,121

Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

56. Other liabilities (continued)

Company (continued)

(2) Movements of provisions

	2022	2021
At beginning of the year	169,971	263,568
Settled/Reversed	(-)	(93,597)
At end of the year	169,971	169,971

57. Share capital

Group and Company

	Year ended December 31	
	2022	2021
Authorized, issued and fully paid:		
At beginning of the year	38,164,535	38,164,535
At end of the year	38,164,535	38,164,535

Notes to the Consolidated Financial Statements

For the year ended December 31, 2022
(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

57. Share capital (continued)

Group and Company (continued)

A summary of the movements of the Company's issued shares (in thousands of shares) during the year is as follows:

	2022			As at December 31
	As at January 1	Issuance	Transfer	
Domestic shares				
– MOF	22,137,239	–	–	22,137,239
– NCSSF	2,459,693	–	–	2,459,693
H shares	13,567,603	–	–	13,567,603
Total	38,164,535	–	–	38,164,535

	2021			As at December 31
	As at January 1	Issuance	Transfer	
Domestic shares				
– MOF	22,137,239	–	–	22,137,239
– NCSSF	2,459,693	–	–	2,459,693
H shares	13,567,603	–	–	13,567,603
Total	38,164,535	–	–	38,164,535

As at December 31, 2022 and 2021, no share of the Company was subject to lock-up restriction.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

58. Other equity instruments

Group and Company

For the year ended December 31, 2022, the movements of the Company's other equity instruments were as follows:

	As at						As at	
	January 1, 2022		Increase		Decrease		December 31, 2022	
	Quantity	Carrying	Quantity	Carrying	Quantity	Carrying	Quantity	Carrying
	(shares)	Amount	(shares)	Amount	(shares)	Amount	(shares)	Amount
	(In '000)	(In '000)	(In '000)	(In '000)	(In '000)	(In '000)	(In '000)	(In '000)
Preference Shares								
- 2021 Offshore Preference Shares	85,000	10,838,023	-	-	-	-	85,000	10,838,023
Undated Capital Bonds								
- 2021 Undated Capital Bonds	100,000	9,957,577	-	-	-	-	100,000	9,957,577
- 2022 Undated Capital Bonds (1)	-	-	120,000	11,952,401	-	-	120,000	11,952,401
Total	185,000	20,795,600	120,000	11,952,401	-	-	305,000	32,748,001

- (1) With the approvals of the relevant regulatory authorities in China, the Company issued RMB12 billion write-down undated capital bonds (the "Bonds") in the domestic market on 24 February 2022. The denomination of the Bonds is RMB100 each, and the annual coupon rate of the Bonds for the first five years is 4.33%, which is reset every 5 years. The issuer shall have a conditional redemption right on every dividend payment date from the fifth year onwards.

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

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

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

59. Capital reserve

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

Notes to the Consolidated Financial Statements

For the year ended December 31, 2022
(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

60. Other comprehensive income

Group

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

	Year ended December 31	
	2022	2021
At beginning of the year	(1,372,178)	(1,237,414)
Items that may be reclassified subsequently to profit or loss:		
Fair value changes on debt instruments at fair value through other comprehensive income		
Fair value changes arising during the year	(2,296,003)	80,951
Amounts reclassified to profit or loss upon disposal	291,477	(152,545)
Amounts of profit or loss upon impairment	138,211	124,891
Income tax effect	332,294	(29,314)
	(1,534,021)	23,983
Exchange differences arising on translation of foreign operations	759,859	(292,290)
Share of other comprehensive income of associates and joint ventures	6,866	110,197
Income tax effect	(12,137)	(5,778)
	(779,433)	(163,888)
Items that will not be reclassified subsequently to profit or loss:		
Remeasurement of supplementary retirement benefits	41,975	3,259
Income tax effect	(6,926)	(538)
	35,049	2,721
Fair value changes on equity instruments designated as at fair value through other comprehensive income	(3,223,974)	239,041
Income tax effect	799,721	(60,626)
Share of other comprehensive income of associates and joint ventures	(2,470)	(163,860)
Income tax effect	–	11,848
	(2,391,674)	29,124
Other comprehensive income for the year	(3,171,107)	(134,764)
At end of the year	(4,543,285)	(1,372,178)

Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

60. Other comprehensive income (continued)

Company

	Year ended December 31	
	2022	2021
At beginning of the year	(418,702)	(461,409)
Items that may be reclassified subsequently to profit or loss:		
Fair value changes on debt instruments at fair value through other comprehensive income		
Amounts reclassified to profit or loss upon disposal	–	(7,493)
Income tax effect	–	1,873
	–	(5,620)
Share of other comprehensive income of associates and joint ventures	42,275	25,324
Income tax effect	(12,137)	(6,331)
Subtotal	30,138	13,373
Items that will not be reclassified subsequently to profit or loss:		
Fair value changes on equity instruments designated as at fair value through other comprehensive income	(3,201,366)	242,504
Income tax effect	800,342	(60,626)
	(2,401,024)	181,878
Share of other comprehensive income of associates and joint ventures	–	(164,392)
Income tax effect	–	11,848
Subtotal	(2,401,024)	29,334
Other comprehensive income for the year	(2,370,886)	42,707
At end of the year	(2,789,588)	(418,702)

Notes to the Consolidated Financial Statements

For the year ended December 31, 2022
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VI. EXPLANATORY NOTES (continued)

61. Surplus reserve

Under the PRC Laws, the Company and its domestic subsidiaries are required to transfer 10% of its net profit determined under the PRC GAAP to a non-distributable statutory surplus reserve. Appropriation to the statutory surplus reserve may cease when the balance of such reserve has reached 50% of the share capital of the entity.

62. General reserve

For the year ended December 31, 2022, the Group reserved RMB206.26 million to the general reserve pursuant to the regulatory requirements in the PRC (For the years ended December 31, 2021, the Group transferred RMB1,400.30 million to the general reserve).

For the year ended December 31, 2022, no general reserve is required to be transferred for the Company pursuant to the regulatory requirements in the PRC (For the years ended December 31, 2021, the Company transferred RMB477.14 million to the general reserve).

63. Retained earnings

During the years ended December 31, 2022 and 2021, the retained earnings of the Company were as follows:

Company

	Year ended December 31	
	2022	2021
At beginning of the year	42,725,881	37,592,328
Profit for the year	6,413,894	11,657,807
Appropriation to surplus reserve	(641,389)	(1,165,781)
Appropriation to general reserve	–	(477,137)
Dividends recognized as distribution	(4,629,336)	(4,999,996)
Retained earnings transferred from other comprehensive income	–	118,660
At end of the year	43,869,050	42,725,881

Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

64. Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents represent:

	As at December 31	
	2022	2021
Cash	527,836	447,078
Balances with central banks	9,643,524	9,883,505
Deposits with banks and financial institutions	78,913,566	75,749,467
Placements with banks and financial institutions	31,419,963	21,899,666
Financial assets held under resale agreements	24,907,088	65,346,340
Cash and cash equivalents	145,411,977	173,326,056

65. Major non-cash transactions

As part of its distressed asset management business, the Group entered into transactions of debt-to-equity swap with counterparties in the ordinary courses of business during the year. For the year ended December 31, 2022, equity instruments amounting to RMB3,511.04 million (2021: RMB8,456.99 million) were swapped with debt instruments held by the Group with carrying amount of RMB6,528.07 million (2021: RMB8,409.61 million).

Notes to the Consolidated Financial Statements

For the year ended December 31, 2022
(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

66. Contingent liabilities and commitments

(1) Legal proceedings

Group and Company

The Company and its subsidiaries are involved as defendants in certain lawsuits arising from their normal business operations. As at December 31, 2022 and 2021, total claim amounts of pending litigations were RMB2,177.96 million and RMB3,746.91 million for the Group and RMB1,520.08 million and RMB1,647.92 million for the Company respectively, and provisions of RMB3.09 million and RMB3.09 million for the Group respectively were made based on court judgements or the advice of legal counsels. The directors of the Company believe that the final result of these lawsuits will not have a material impact on the financial position or operations of the Group and the Company.

(2) Credit commitments

	As at December 31	
	2022	2021
Bank acceptance bills	41,884,108	32,280,269
Loan commitments (i)	15,322,797	13,966,314
Letters of guarantee issued	8,074,233	6,605,675
Letters of credit issued	3,520,795	3,654,444
Undrawn credit card commitments	487,659	673,126
Others	2,672	5,240
Total	69,292,264	57,185,068
Impairment of credit commitments	(171,401)	(241,208)

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

- (i) Loan commitments represent undrawn loan facilities agreed and granted to customers. Unconditionally revocable loan commitments are not included in loan commitments. As at December 31, 2022, the unconditionally revocable loan commitments of the Group amounted to RMB102,456.09 million (December 31, 2021: RMB95,536.54 million).

Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

66. Contingent liabilities and commitments (continued)

(3) Capital commitments

Group

	As at December 31	
	2022	2021
Contracted but not provided for Commitment for the acquisition of properties under development	–	605,000
Commitments for the acquisition of property and equipment	645,675	951,074
Total	645,675	1,556,074

Company

	As at December 31	
	2022	2021
Contracted but not provided for Commitments for the acquisition of property and equipment	2,327	12,519
Total	2,327	12,519

(4) Other commitments

As a result of the purchase commitments and guarantees provided by the Group, the Group has the ability to use its power over the structured entities to affect their returns and is exposed to significant variable returns and the structured entities. These structured entities have been consolidated into the Group's financial statements. Please refer to Note VI.36 Interests in consolidated structured entities.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2022
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VI. EXPLANATORY NOTES (continued)

67. Transfers of financial assets

(1) Repurchase agreements

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

	Carrying amount of pledged assets		Related liabilities	
	December 31		December 31	
	2022	2021	2022	2021
Financial assets at amortized cost	–	528,346	–	525,144
Financial assets at fair value through profit or loss	11,797,962	8,581,875	11,791,273	6,992,813
Financial assets at fair value through other comprehensive income	30,642,484	7,774,831	30,632,178	7,577,813
Finance lease receivables	1,135,286	–	1,002,194	–
Total	43,575,732	16,885,052	43,425,645	15,095,770

Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

67. Transfers of financial assets (continued)

(2) Asset-backed securities

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

With respect to the securitization of financial assets that do not qualify for derecognition, the relevant financial assets are not derecognized, and the consideration paid by third parties is recorded as a financial liability. As at December 31, 2022, the Group's carrying amount of transferred assets that did not qualify for derecognition was RMB28,807.38 million (December 31, 2021: RMB81,596.49 million), and the carrying amount of their associated liabilities was RMB19,749.55 million (December 31, 2021: RMB102,931.05 million).

With respect to the securitization of financial assets that qualified for derecognition, the Group derecognized the transferred financial assets in their entirety. The corresponding total carrying amount of asset-backed securities held by the Group in the securitization transactions was nil as at December 31, 2022 and 2021.

(3) Continuing involvement

For those in which the Group has neither transferred nor retained substantially all the risks and rewards of the financial assets transferred to third parties or to structured entities, and retained control of the financial assets, the transferred financial assets are recognized to the extent of the Group's continuing involvement. For the year ended December 31, 2022, the carrying amount at the time of transfer of the original financial assets, in which the Group determined that it has continuing involvement, was RMB1,368.42 million (for the year ended December 31, 2021: RMB2,008.21 million). As at December 31, 2022, the Group continued to recognize assets of RMB322.62 million under financial assets at fair value through profit or loss. The Group also recognized other assets and other liabilities of the same amount arising from such continuing involvement.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2022
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VI. EXPLANATORY NOTES (continued)

68. Segment information

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

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

Distressed asset management operations

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

Financial services operations

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

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

Notes to the Consolidated Financial Statements

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VI. EXPLANATORY NOTES (continued)

68. Segment information (continued)

	Distressed asset management	Financial services	Elimination	Consolidated
Year ended December 31, 2022				
Income from distressed debt assets at amortized cost	10,070,722	–	–	10,070,722
Fair value changes on distressed debt assets	11,284,302	–	–	11,284,302
Fair value changes on other financial instruments	4,925,436	494,815	(9,878)	5,410,373
Investment income	(558,824)	775,578	–	216,754
Interest income	9,483,147	18,024,430	(112,688)	27,394,889
Revenue from sales of inventories	16,068,262	–	–	16,068,262
Commission and fee income	609,006	4,746,212	(244,995)	5,110,223
Net gains on disposal of subsidiaries, associates and joint ventures	1,057,703	1,088	–	1,058,791
Other income and other net gains or losses	4,149,650	324,349	(99,935)	4,374,064
Total	57,089,404	24,366,472	(467,496)	80,988,380
Interest expense	(31,025,273)	(9,326,309)	270,481	(40,081,101)
Employee benefits	(3,211,407)	(2,910,887)	–	(6,122,294)
Purchases and changes in inventories	(12,859,418)	–	(46)	(12,859,464)
Commission and fee expense	(229,453)	(492,081)	96,984	(624,550)
Taxes and surcharges	(453,254)	(117,840)	–	(571,094)
Depreciation and amortization expenses	(1,223,084)	(919,131)	64,118	(2,078,097)
Other expenses	(2,285,501)	(1,693,614)	107,112	(3,872,003)
Impairment losses on assets	(10,443,369)	(2,814,583)	–	(13,257,952)
Total	(61,730,759)	(18,274,445)	538,649	(79,466,555)

Notes to the Consolidated Financial Statements

For the year ended December 31, 2022
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VI. EXPLANATORY NOTES (continued)

68. Segment information (continued)

	Distressed asset management	Financial services	Elimination	Consolidated
Change in net assets attributable to other holders of consolidated structured entities	(46,495)	(1,014)	–	(47,509)
Profit before share of results of associates and joint ventures and tax	(4,687,850)	6,091,013	71,153	1,474,316
Share of results of associates and joint ventures	8,977,590	5,688	–	8,983,278
Profit before tax	4,289,740	6,096,701	71,153	10,457,594
Income tax expense				(3,226,334)
Profit for the year				7,231,260
Capital expenditure	192,265	1,743,694	–	1,935,959
As at December 31, 2022				
Segment assets	991,887,849	633,542,503	(20,632,206)	1,604,798,146
Including: Interests in associates and joint ventures	87,111,402	430,832	–	87,542,234
Unallocated assets				11,190,829
Total assets				1,615,988,975
Segment liabilities	869,969,058	552,927,018	(19,062,520)	1,403,833,556
Unallocated liabilities				4,160,297
Total liabilities				1,407,993,853

Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

68. Segment information (continued)

	Distressed asset management	Financial services	Elimination	Consolidated
Year ended December 31, 2021				
Income from distressed debt assets at amortized cost	13,466,628	–	–	13,466,628
Fair value changes on distressed debt assets	15,475,828	–	–	15,475,828
Fair value changes on other financial instruments	13,606,661	866,780	201,361	14,674,802
Investment income	75,381	81,381	–	156,762
Interest income	11,013,420	14,193,503	(106,080)	25,100,843
Revenue from sales of inventories	20,385,467	–	–	20,385,467
Commission and fee income	494,409	5,132,393	(335,458)	5,291,344
Net gains on disposal of subsidiaries, associates and joint ventures	303,992	–	–	303,992
Other income and other net gains or losses	2,268,661	720,817	(114,103)	2,875,375
Total	77,090,447	20,994,874	(354,280)	97,731,041
Interest expense	(35,247,515)	(7,084,518)	395,093	(41,936,940)
Employee benefits	(3,172,895)	(3,225,446)	–	(6,398,341)
Purchases and changes in inventories	(16,911,091)	–	4,741	(16,906,350)
Commission and fee expense	(202,387)	(553,745)	67,461	(688,671)
Taxes and surcharges	(485,143)	(127,575)	–	(612,718)
Depreciation and amortization expenses	(1,171,940)	(934,567)	90,206	(2,016,301)
Other expenses	(2,463,473)	(1,472,670)	69,911	(3,866,232)
Impairment losses on assets	(9,009,647)	(2,554,664)	(158,636)	(11,722,947)
Total	(68,664,091)	(15,953,185)	468,776	(84,148,500)

Notes to the Consolidated Financial Statements

For the year ended December 31, 2022
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VI. EXPLANATORY NOTES (continued)

68. Segment information (continued)

	Distressed asset management	Financial services	Elimination	Consolidated
Change in net assets attributable to other holders of consolidated structured entities	(16,363)	(3,778)	–	(20,141)
Profit before share of results of associates and joint ventures and tax	8,409,993	5,037,911	114,496	13,562,400
Share of results of associates and joint ventures	5,783,816	32,691	–	5,816,507
Profit before tax	14,193,809	5,070,602	114,496	19,378,907
Income tax expense				(6,378,441)
Profit for the year				13,000,466
Capital expenditure	491,906	355,557	–	847,463
As at December 31, 2021				
Segment assets	997,493,419	577,357,965	(18,354,163)	1,556,497,221
Including: Interests in associates and joint ventures	79,411,690	421,448	–	79,833,138
Unallocated assets				7,782,053
Total assets				1,564,279,274
Segment liabilities	875,475,518	499,689,745	(16,457,733)	1,358,707,530
Unallocated liabilities				3,796,264
Total liabilities				1,362,503,794

Notes to the Consolidated Financial Statements

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VI. EXPLANATORY NOTES (Continued)

69. Related party transactions

(1) The MOF

Group

As at December 31, 2022, the MOF directly owned 58.00% (As at December 31, 2021: 58.00%) of the share capital of the Company.

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

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

The Group had the following balances with the MOF:

	As at December 31	
	2022	2021
Financial assets at fair value through other comprehensive income	33,196,519	26,835,306
Financial assets at fair value through profit or loss	53,038	282,524
Accounts receivable	1,597	1,597

The Group had entered into the following transactions with the MOF:

	Year ended December 31	
	2022	2021
Interest income	836,627	750,790
Investment income	63,428	9,869

Notes to the Consolidated Financial Statements

For the year ended December 31, 2022
(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

69. Related party transactions (continued)

(1) The MOF (continued)

Company

The Company had the following balances with the MOF:

	As at December 31	
	2022	2021
Accounts receivable	1,597	1,597

For the years ended December 31, 2022 and 2021, the Company had no transaction with the MOF.

(2) Subsidiaries

The Company had the following balances with its subsidiaries:

	As at December 31	
	2022	2021
Amounts due from subsidiaries	33,398,209	31,471,363
Financial assets at fair value through profit or loss	837,399	1,111,935
Placement with banks and financial institutions	400,090	–
Lease liabilities	382,997	450,954
Right-of-use assets	368,583	430,066
Bonds issued	313,682	395,671
Other payables	130,180	137,773
Property and equipment	14,508	15,090

Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (Continued)

69. Related party transactions (Continued)

(2) Subsidiaries (Continued)

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

	Year ended December 31	
	2022	2021
Interest income	633,498	445,549
Dividend income	438,626	401,347
Other expenses	164,856	153,807
Interest expense	134,598	297,727
Fair value changes on distressed debt assets	130,000	–
Depreciation expenses of right-of-use assets	122,909	134,111
Commission and fee expense	89,533	60,265
Fair value changes on other financial instruments	68,079	109,710
Rental income	24,588	38,471
Depreciation and amortisation expenses	582	582
Impairment losses on assets	–	27,212

(3) Associates and joint ventures

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

Group

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

	As at December 31	
	2022	2021
Loans and advances to customers	4,146,592	4,883,177
Other payables	869,116	104,504
Risk deposit	120,500	139,200
Dividend receivable	45,000	45,000
Other receivables	38,523	75,605
Deferred income related to leasing business	8,428	1,846

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For the year ended December 31, 2022
(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

69. Related party transactions (continued)

(3) Associates and joint ventures (continued)

Group (continued)

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

	Year ended December 31	
	2022	2021
Interest income	423,199	636,207
Dividends received	401,978	859,243
Commission and fee income	4,141	48,417

Company

The Company had entered into the following transactions with its associates and joint ventures:

	Year ended December 31	
	2022	2021
Dividend income	393,410	721,966

(4) Government related entities

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

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

Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

69. Related party transactions (continued)

(5) Defined contribution plans

Group

The Group had the following transactions with the defined contribution plans set up by the Company:

	Year ended December 31	
	2022	2021
Contribution to defined contribution plans	282,124	261,923

Company

The Company had the following transactions with the defined contribution plans:

	Year ended December 31	
	2022	2021
Contribution to defined contribution plans	116,470	92,598

(6) Defined benefit plans

Group

Please refer to Note VI. 56 Other liabilities for details of retirement benefits of the Group's subsidiary, NCB.

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

VI. EXPLANATORY NOTES (continued)

70. Financial risk management

Overview

The Group's primary objectives of risk management are to ensure (1) the prudent operation and sound business development of the Group; (2) the execution of significant decisions to achieve business targets and ensure operational efficiency; and (3) that risks are managed within a range consistent with our strategies and business targets. Based on this, the Group has designed a series of risk management policies and set up controls to identify, analyze, monitor and report risks by means of relevant and up-to-date information systems. The Group regularly reviews and revises its risk management policies and systems to reflect changes in markets, products and emerging best practices.

The most significant types of risks to the Group are credit risk, market risk and liquidity risk. Market risk includes interest rate risk, currency risk and other price risk.

Risk Management Framework

The Board of Directors is responsible for establishing the overall risk appetite of the Group and reviewing and approving the risk management objectives and strategies. The Board has established the Risk Management Committee, which is responsible for developing and monitoring the Group's risk strategy and risk management policies and evaluating the Group's overall risk exposures regularly.

Within this framework, the Group's senior management has the overall responsibility for managing all aspects of risks, including implementing risk management strategies, initiatives and credit policies and approving internal policies, measures and procedures relating to risk management. The Risk Management Department and other relevant functional units are responsible for monitoring financial risks.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

70. Financial risk management (continued)

70.1 Credit Risk

70.1.1 Credit risk management

Credit risk represents the potential loss that may arise from a customer or counterparty's failure to meet its obligation. Credit risk can also arise from operational failures that result in an unauthorized or inappropriate advance, commitment or investment of funds. The Group's major credit risks arise from financial assets at amortized cost, loans and advance to customers and other guarantees. There is no significant difference of the credit risk of distressed debt assets at amortized cost and other debt assets. Risk management of other distressed debt assets at fair value through profit or loss is detailed in Note VI.70.4 Risk management of distressed assets.

The Group implements the following measures to mitigate credit risk:

- Referencing to internal and external credit rating information to manage the credit quality of counterparties, and selecting counterparties with acceptable credit quality and repayment ability to balance credit risk and return;
- Obtaining effective collateral from counterparties to mitigate risks.

In particular, credit risk relating to investment assets such as debt securities and trust products is managed by selecting counterparties with acceptable credit quality, balancing credit risk and return, referencing to both internal and external credit rating information where available and by applying appropriate limits.

70.1.2 Measurement of ECL

Refer to Note IV.7.4 Impairment of financial assets.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2022
(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

70. Financial risk management (continued)

70.1 Credit Risk (continued)

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

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

Group

	As at December 31	
	2022	2021
On-balance sheet		
Balances with central banks	16,149,540	17,598,651
Deposits with banks and financial institutions	97,830,088	99,921,346
Deposits with exchanges and others	2,334,962	2,202,860
Placements with banks and financial institutions	34,424,999	25,045,776
Financial assets at fair value through profit or loss	141,875,156	126,388,199
Financial assets held under resale agreements	30,075,367	68,204,309
Financial assets at fair value through other comprehensive income	124,934,251	113,881,452
Financial assets at amortized cost	169,994,310	183,535,039
Loans and advance to customers	396,529,988	368,031,445
Accounts receivable	4,803,330	3,203,037
Other assets	11,823,966	13,250,145
Subtotal	1,030,775,957	1,021,262,259
Off-balance sheet		
Bank acceptance bills	41,884,108	32,280,269
Loan commitments	15,322,797	13,966,314
Letters of guarantee issued and other credit commitments	12,085,359	10,938,485
Subtotal	69,292,264	57,185,068
Total	1,100,068,221	1,078,447,327

Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

70. Financial risk management (continued)

70.1 Credit Risk (continued)

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

Company

	As at December 31	
	2022	2021
Balances with central banks	2,427	2,419
Deposits with banks and financial institutions	37,179,969	39,236,127
Financial assets at fair value through profit or loss	80,981,509	75,300,476
Financial assets held under resale agreements	24,914,111	65,391,479
Financial assets at amortized cost	105,876,967	139,610,326
Accounts receivable	1,921,592	915,919
Amounts due from subsidiaries	30,156,669	28,551,869
Other assets	6,786,622	5,606,699
Total	287,819,866	354,615,314

Among the distressed debt assets at fair value through profit or loss, the distressed assets contain certain elements of credit risk. The risks that such assets are exposed to are the same as those set out in the Group's consolidated financial statements for the year ended December 31, 2021. The carrying amount of distressed debt assets at fair value through profit or loss for the Group as at December 31, 2022 amounted to RMB233,437.19 million (December 31, 2021: RMB203,739.51 million).

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

Notes to the Consolidated Financial Statements

For the year ended December 31, 2022
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VI. EXPLANATORY NOTES (continued)

70. Financial risk management (continued)

70.1 Credit Risk (continued)

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

Group

	As at December 31	
	2022	2021
Distressed debt assets	113,472,389	149,016,373
Loans and advances to customers	392,367,947	358,421,803
Subtotal	505,840,336	507,438,176
Allowance for impairment losses		
Distressed debt assets	(13,230,434)	(14,459,897)
Loans and advances to customers	(10,274,576)	(9,597,802)
Subtotal	(23,505,010)	(24,057,699)
Net carrying amounts		
Distressed debt assets	100,241,955	134,556,476
Loans and advances to customers	382,093,371	348,824,001
Total	482,335,326	483,380,477

Company

	As at December 31	
	2022	2021
Distressed debt assets	113,281,757	148,822,848
Allowance for impairment losses	(13,060,548)	(14,288,997)
Net carrying amounts	100,221,209	134,533,851

Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

70. Financial risk management (continued)

70.1 Credit Risk (continued)

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

By geographical area

Group

Area	As at December 31			
	2022		2021	
	Gross amount	%	Gross amount	%
Overseas	169,827,747	33.5	165,249,526	32.7
Bohai Rim	70,613,011	14.0	70,549,416	13.9
Yangtze River Delta	67,153,774	13.3	64,648,405	12.7
Central Region	66,281,530	13.1	74,155,442	14.6
Western Region	65,378,297	12.9	73,200,511	14.4
Pearl River Delta	55,657,279	11.0	49,837,558	9.8
Northeastern Region	10,928,698	2.2	9,797,318	1.9
Total	505,840,336	100.0	507,438,176	100.0

Company

Area	As at December 31			
	2022		2021	
	Gross amount	%	Gross amount	%
Bohai Rim	28,089,108	24.8	33,420,937	22.5
Central Region	27,012,644	23.8	42,872,571	28.8
Western Region	24,263,960	21.4	31,310,213	21.0
Yangtze River Delta	16,175,537	14.3	22,364,518	15.0
Pearl River Delta	14,112,589	12.5	14,598,153	9.8
Northeastern Region	3,627,919	3.2	4,256,456	2.9
Total	113,281,757	100.0	148,822,848	100.0

Notes to the Consolidated Financial Statements

For the year ended December 31, 2022
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VI. EXPLANATORY NOTES (continued)

70. Financial risk management (continued)

70.1 Credit Risk (continued)

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

By geographical area (continued)

Notes:

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

Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

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VI. EXPLANATORY NOTES (continued)

70. Financial risk management (continued)

70.1 Credit Risk (continued)

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

By industry

Group

Industry	As at December 31			
	2022		2021	
	Gross amount	%	Gross amount	%
Corporate business				
Real estate	124,205,175	24.6	142,199,829	28.0
Leasing and commercial services	62,603,027	12.4	47,894,919	9.4
Manufacturing	58,061,176	11.5	58,846,729	11.6
Finance	38,472,993	7.6	31,504,203	6.2
Production and supply of power, heat, gas and water	34,599,949	6.8	28,316,409	5.6
Construction	29,165,796	5.8	28,824,271	5.7
Wholesale and retail trade	18,507,894	3.7	19,370,631	3.8
Mining	15,633,212	3.1	18,120,704	3.6
Others	64,970,687	12.7	69,322,518	13.7
Subtotal	446,219,909	88.2	444,400,213	87.6
Personal business				
Mortgage	27,249,679	5.4	29,589,122	5.8
Personal consumption loans	22,825,127	4.5	22,087,382	4.4
Subtotal	50,074,806	9.9	51,676,504	10.2
Loans to margin clients	9,545,621	1.9	11,361,459	2.2
Total	505,840,336	100.0	507,438,176	100.0

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For the year ended December 31, 2022
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VI. EXPLANATORY NOTES (continued)

70. Financial risk management (continued)

70.1 Credit Risk (continued)

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

By industry (continued)

Company

Industry	As at December 31			
	2022		2021	
	Gross amount	%	Gross amount	%
Real estate	53,665,568	47.4	62,511,938	42.0
Manufacturing	11,427,785	10.1	20,647,531	13.9
Mining	7,153,781	6.3	11,236,957	7.6
Wholesale and retail trade	6,987,797	6.2	8,713,110	5.9
Water conservancy, environment and public facilities management	6,007,255	5.3	8,355,385	5.6
Construction	5,940,710	5.2	8,502,331	5.7
Finance	5,200,160	4.6	7,799,735	5.2
Others	16,898,701	14.9	21,055,861	14.1
Total	113,281,757	100.0	148,822,848	100.0

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For the year ended December 31, 2022

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VI. EXPLANATORY NOTES (continued)

70. Financial risk management (continued)

70.1 Credit Risk (continued)

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

By security type

Group

	As at December 31			
	2022		2021	
	Gross amount	%	Gross amount	%
Unsecured	155,466,422	30.7	130,776,669	25.8
Guaranteed	85,144,849	16.8	72,478,980	14.3
Mortgaged	167,380,415	33.1	151,737,579	29.9
Pledged	97,848,650	19.4	152,444,948	30.0
Total	505,840,336	100.0	507,438,176	100.0

Company

	As at December 31			
	2022		2021	
	Gross amount	%	Gross amount	%
Unsecured	3,106,392	2.7	8,322,160	5.6
Guaranteed	11,060,308	9.8	17,720,140	11.9
Mortgaged	83,873,209	74.0	99,899,428	67.1
Pledged	15,241,848	13.5	22,881,120	15.4
Total	113,281,757	100.0	148,822,848	100.0

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For the year ended December 31, 2022
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VI. EXPLANATORY NOTES (continued)

70. Financial risk management (continued)

70.1 Credit Risk (continued)

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

Group

	Gross amount as at December 31, 2022					Gross amount as at December 31, 2021				
	Up to 90 days (Including 90 days)	91 to 360 days (Including 360 days)	361 days to 3 years (Including 3 years)	Over 3 years	Total	Up to 90 days (Including 90 days)	91 to 360 days (Including 360 days)	361 days to 3 years (Including 3 years)	Over 3 years	Total
Distressed debt assets	4,430,668	5,299,749	6,119,613	190,632	16,040,662	1,736,708	13,876,149	4,609,986	324,460	20,547,303
Loans and advances to customers	7,774,151	9,765,283	1,394,817	752,473	19,686,724	1,308,845	2,406,338	2,689,727	738,468	7,143,378
Total	12,204,819	15,065,032	7,514,430	943,105	35,727,386	3,045,553	16,282,487	7,299,713	1,062,928	27,690,681

Company

	Gross amount as at December 31, 2022					Gross amount as at December 31, 2021				
	Up to 90 days (Including 90 days)	91 to 360 days (Including 360 days)	361 days to 3 years (Including 3 years)	Over 3 years	Total	Up to 90 days (Including 90 days)	91 to 360 days (Including 360 days)	361 days to 3 years (Including 3 years)	Over 3 years	Total
Distressed debt assets	4,430,668	5,299,749	6,119,613	-	15,850,030	1,736,708	13,876,149	4,609,986	130,935	20,353,778

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VI. EXPLANATORY NOTES (continued)

70. Financial risk management (continued)

70.1 Credit Risk (continued)

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

Group

	As at December 31	
	2022	2021
Neither past due nor impaired	468,192,420	477,153,536
Past due but not impaired (1)	19,702,347	13,466,048
Impaired (2)	17,945,569	16,818,592
Subtotal	505,840,336	507,438,176
Allowance for impairment losses	(23,505,010)	(24,057,699)
Net carrying amount	482,335,326	483,380,477

Company

	As at December 31	
	2022	2021
Neither past due nor impaired	96,983,404	127,785,360
Past due but not impaired (1)	4,877,866	12,347,216
Impaired (2)	11,420,487	8,690,272
Subtotal	113,281,757	148,822,848
Allowance for impairment losses	(13,060,548)	(14,288,997)
Net carrying amount	100,221,209	134,533,851

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VI. EXPLANATORY NOTES (continued)

70. Financial risk management (continued)

70.1 Credit Risk (continued)

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

(1) Past due but not impaired

Group

	Gross amount as at December 31, 2022					Gross amount as at December 31, 2021				
	Up to 90 days (Including 90 days)	91 to 360 days (Including 360 days)	361 days to 3 years (Including 3 years)	Over 3 years	Total	Up to 90 days (Including 90 days)	91 to 360 days (Including 360 days)	361 days to 3 years (Including 3 years)	Over 3 years	Total
Distressed debt assets	4,430,668	447,198	-	-	4,877,866	1,736,708	10,610,508	-	-	12,347,216
Loans and advances to customers	7,211,963	7,612,518	-	-	14,824,481	1,118,832	-	-	-	1,118,832
Total	11,642,631	8,059,716	-	-	19,702,347	2,855,540	10,610,508	-	-	13,466,048

Company

	Gross amount as at December 31, 2022					Gross amount as at December 31, 2021				
	Up to 90 days (Including 90 days)	91 to 360 days (Including 360 days)	361 days to 3 years (Including 3 years)	Over 3 years	Total	Up to 90 days (Including 90 days)	91 to 360 days (Including 360 days)	361 days to 3 years (Including 3 years)	Over 3 years	Total
Distressed debt assets	4,430,668	447,198	-	-	4,877,866	1,736,708	10,610,508	-	-	12,347,216

Notes to the Consolidated Financial Statements

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VI. EXPLANATORY NOTES (continued)

70. Financial risk management (continued)

70.1 Credit Risk (continued)

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

(2) Impaired

Group

	As at December 31, 2022		
	Gross amount	Allowance for impairment losses	Net carrying amount
Distressed debt assets	11,611,118	(6,340,338)	5,270,780
Loans and advances to customers	6,334,451	(3,463,520)	2,870,931
Total	17,945,569	(9,803,858)	8,141,711

	As at December 31, 2021		
	Gross amount	Allowance for impairment losses	Net carrying amount
Distressed debt assets	8,883,797	(3,307,306)	5,576,491
Loans and advances to customers	7,934,795	(4,573,794)	3,361,001
Total	16,818,592	(7,881,100)	8,937,492

Company

	As at December 31, 2022		
	Gross amount	Allowance for impairment losses	Net carrying amount
Distressed debt assets	11,420,487	(6,170,452)	5,250,035

	As at December 31, 2021		
	Gross amount	Allowance for impairment losses	Net carrying amount
Distressed debt assets	8,690,272	(3,136,406)	5,553,866

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VI. EXPLANATORY NOTES (continued)

70. Financial risk management (continued)

70.1 Credit Risk (continued)

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

(2) Impaired (continued)

Group

	As at December 31	
	2022	2021
Distressed debt assets		
Impaired	11,611,118	8,883,797
– Portion covered	11,611,118	7,980,820
– Portion not covered	–	902,977
Impaired as % of total distressed debt assets	10.2	6.0
Fair value of collateral	10,263,595	8,852,876
Loans and advances to customers		
Impaired	6,334,451	7,934,795
– Portion covered	5,801,409	7,116,758
– Portion not covered	533,042	818,037
Impaired as % of total loans and advances to customers	1.6	2.2
Fair value of collateral	7,110,880	8,224,448

Company

	As at December 31	
	2022	2021
Distressed debt assets		
Impaired	11,420,487	8,690,272
– Portion covered	11,420,487	7,790,188
– Portion not covered	–	900,084
Impaired as % of total distressed debt assets	10.1	5.8
Fair value of collateral	10,072,963	8,662,244

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VI. EXPLANATORY NOTES (continued)

70. Financial risk management (continued)

70.1 Credit Risk (continued)

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

(2) Impaired (continued)

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

Distressed debt assets

Group

Area	As at December 31			
	2022 Gross amount	%	2021 Gross amount	%
Bohai Rim	3,521,656	30.3	3,596,431	40.5
Pearl River Delta	3,007,613	25.9	346,006	3.9
Central Region	2,237,132	19.3	321,390	3.6
Western Region	1,844,085	15.9	1,330,429	15.0
Yangtze River Delta	1,000,632	8.6	2,568,634	28.9
Northeastern Region	–	–	720,907	8.1
Total	11,611,118	100.0	8,883,797	100.0

Company

Area	As at December 31			
	2022 Gross amount	%	2021 Gross amount	%
Bohai Rim	3,331,024	29.2	3,402,905	39.1
Pearl River Delta	3,007,613	26.3	346,006	4.0
Central Region	2,237,133	19.6	321,391	3.7
Western Region	1,844,085	16.1	1,330,429	15.3
Yangtze River Delta	1,000,632	8.8	2,568,634	29.6
Northeastern Region	–	–	720,907	8.3
Total	11,420,487	100.0	8,690,272	100.0

Notes to the Consolidated Financial Statements

For the year ended December 31, 2022
(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

70. Financial risk management (continued)

70.1 Credit Risk (continued)

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

(2) Impaired (continued)
Loans and advances to customers
Group

Area	As at December 31			
	2022 Gross amount	%	2021 Gross amount	%
Pearl River Delta	2,083,593	32.9	1,227,407	15.5
Overseas	1,910,074	30.2	1,765,085	22.2
Bohai Rim	753,828	11.9	983,610	12.4
Western Region	647,100	10.2	125,188	1.6
Central Region	477,627	7.6	2,720,007	34.3
Northeastern Region	408,561	6.4	404,612	5.1
Yangtze River Delta	53,668	0.8	708,886	8.9
Total	6,334,451	100.0	7,934,795	100.0

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For the year ended December 31, 2022

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

70. Financial risk management (continued)

70.1 Credit Risk (continued)

70.1.7 Credit quality of investment products

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

Group

	As at December 31	
	2022	2021
Neither past due nor impaired (1)	307,048,350	279,779,670
Past due but not impaired (2)	26,632,977	6,622,496
Impaired (3)	6,298,059	4,819,741
Subtotal	339,979,386	291,221,907
Allowance for impairment losses	(2,987,083)	(1,889,911)
Net carrying amounts	336,992,303	289,331,996

Company

	As at December 31	
	2022	2021
Neither past due nor impaired (1)	62,861,135	70,474,307
Past due but not impaired	21,893,525	6,734,360
Impaired	2,664,789	4,639,341
Subtotal	87,419,449	81,848,008
Allowance for impairment losses	(351,642)	(1,387,275)
Net carrying amounts	87,067,807	80,460,733

Notes to the Consolidated Financial Statements

For the year ended December 31, 2022
(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

70. Financial risk management (continued)

70.1 Credit Risk (continued)

70.1.7 Credit quality of investment products (Continued)

(1) Neither past due nor impaired
Group

	As at December 31, 2022				As at December 31, 2021			
	Financial assets at fair value through profit or loss	Financial assets at amortized cost	Financial assets at fair value through other comprehensive income	Total	Financial assets at fair value through profit or loss	Financial assets at amortized cost	Financial assets at fair value through other comprehensive income	Total
Government bonds	9,328,006	10,016,178	53,610,728	72,954,912	7,272,155	578,502	42,670,135	50,520,792
Public sector and quasi-government bonds	75,122	269,499	2,810,626	3,155,247	-	-	3,734,687	3,734,687
Financial institution bonds	1,196,916	1,353,836	46,080,418	48,631,170	666,349	-	35,382,329	36,048,678
Corporate bonds	20,649,588	179,300	22,297,199	43,126,087	20,963,925	-	32,088,142	53,052,067
Trust products and rights to trust assets	15,661,186	23,364,167	-	39,025,353	16,426,941	22,159,575	-	38,586,516
Wealth management products	1,776,838	-	-	1,776,838	1,531,919	-	-	1,531,919
Asset management plans	2,815,774	-	-	2,815,774	1,314,448	-	-	1,314,448
Asset-backed securities	1,457,746	-	-	1,457,746	1,405,468	-	-	1,405,468
Derivative financial assets	1,837,066	-	-	1,837,066	881,373	-	-	881,373
Embedded derivatives debts	722,831	-	-	722,831	723,207	-	-	723,207
Debt investments	9,096,736	30,790,734	-	39,887,470	13,531,457	25,765,784	-	39,297,241
Mixed fund investments	49,364,960	-	-	49,364,960	47,168,621	-	-	47,168,621
Certificates of deposit	-	-	-	-	1,268,874	-	-	1,268,874
Others	2,292,896	-	-	2,292,896	4,245,779	-	-	4,245,779
Subtotal	116,275,665	65,973,714	124,798,971	307,048,350	117,400,516	48,503,861	113,875,293	279,779,670
Allowance for impairment losses	-	(1,364,293)	-	(1,364,293)	-	(1,050,378)	-	(1,050,378)
Total	116,275,665	64,609,421	124,798,971	305,684,057	117,400,516	47,453,483	113,875,293	278,729,292

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For the year ended December 31, 2022

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

70. Financial risk management (continued)

70.1 Credit Risk (continued)

70.1.7 Credit quality of investment products (continued)

(1) Neither past due nor impaired (continued)

Company

	As at December 31, 2022				As at December 31, 2021			
	Financial assets at fair value through profit or loss	Financial assets at amortized cost	Financial assets at fair value through other comprehensive income	Total	Financial assets at fair value through profit or loss	Financial assets at amortized cost	Financial assets at fair value through other comprehensive income	Total
Corporate bonds	605,904	-	-	605,904	603,879	-	-	603,879
Trust products and rights to trust assets	9,044,389	992,780	-	10,037,169	8,086,033	413,338	-	8,499,371
Asset management plans	-	-	-	-	83,847	-	-	83,847
Asset-backed securities	116,900	-	-	116,900	313,844	-	-	313,844
Debt investments	9,096,736	5,196,564	-	14,293,300	13,531,457	4,188,217	-	17,719,674
Mixed fund investments	35,916,188	-	-	35,916,188	40,943,150	-	-	40,943,150
Others	1,891,674	-	-	1,891,674	2,310,542	-	-	2,310,542
Subtotal	56,671,791	6,189,344	-	62,861,135	65,872,752	4,601,555	-	70,474,307
Allowance for impairment losses	-	(247,721)	-	(247,721)	-	(277,120)	-	(277,120)
Total	56,671,791	5,941,623	-	62,613,414	65,872,752	4,324,435	-	70,197,187

As at December 31, 2022, the carrying amount of neither past due nor impaired investment products at fair value through other comprehensive income was RMB124,798.97 million, the allowances of RMB371.19 million was recognized in other comprehensive income.

As at December 31, 2021, the carrying amount of neither past due nor impaired investment products at fair value through other comprehensive income was RMB113,875.29 million, and the allowance of RMB170.08 million was recognized in other comprehensive income.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2022
(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

70. Financial risk management (continued)

70.1 Credit Risk (continued)

70.1.7 Credit quality of investment products (continued)

(2) Past due but not impaired

As at December 31, 2022, the gross amount of past due but not impaired investment products of the Group was RMB26,632.98 million, including financial assets at fair value through profit or loss of RMB23,183.30 million, and at amortized cost of RMB3,449.68 million with the allowance of RMB123.87 million recognized.

As at December 31, 2021, the past due but not impaired investment products of the Group were financial assets at fair value through profit or loss. The carrying amount of investment products was RMB6,622.50 million.

(3) Impaired

As at December 31, 2022, the carrying amount of the impaired investment products at fair value through profit or loss was RMB2,416.19 million, and the fair value loss of RMB2,476.46 million was recognized. The carrying amount of the impaired investment products at fair value through other comprehensive income was RMB135.28 million, the allowances of RMB127.57 million was recognized in other comprehensive income. The gross amount of the impaired other debt instruments at amortized cost was RMB3,746.59 million, and the allowances of RMB1,498.92 million was recognized.

As at December 31, 2021, the carrying amount of the impaired investment products at fair value through profit or loss was RMB2,365.18 million, and the fair value loss of RMB4,123.68 million was recognized. The carrying amount of the impaired investment products at fair value through other comprehensive income was RMB6.16 million, the allowances of RMB176.23 million was recognized in other comprehensive income. The gross amount of the impaired other debt instruments at amortized cost was RMB2,448.40 million, and the allowances of RMB839.53 million was recognized.

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For the year ended December 31, 2022

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VI. EXPLANATORY NOTES (continued)

70. Financial risk management (continued)

70.1 Credit Risk (continued)

70.1.8 Investment products analyzed by credit rating from reputable rating agencies

Group

	As at December 31, 2022						As at December 31, 2021					
	AAA	AA	A	Below A	Unrated	Total	AAA	AA	A	Below A	Unrated	Total
Government bonds	3,735,619	35,951,235	-	-	33,267,783	72,954,637	1,865,842	21,681,655	64,669	-	26,908,626	50,520,792
Public sector and quasi-government bonds	137,191	2,912,885	-	-	104,885	3,154,961	858,262	1,569,722	-	-	1,306,703	3,734,687
Financial institution bonds	841,341	24,764,818	16,993,452	6,031,294	-	48,630,905	-	12,650,501	15,281,344	7,339,770	777,063	36,048,678
Corporate bonds	15,674,619	2,875,615	7,871,101	7,504,775	10,624,730	44,550,840	14,489,355	829,744	13,603,524	15,676,676	8,468,232	53,067,531
Trust products and rights to trust assets	-	-	-	-	41,580,777	41,580,777	-	-	-	-	39,218,833	39,218,833
Wealth management products	-	-	-	-	1,776,838	1,776,838	-	-	-	-	1,531,919	1,531,919
Asset management plans	-	-	-	-	2,815,774	2,815,774	-	-	-	-	1,798,116	1,798,116
Asset-backed securities	37,713	-	-	-	1,420,033	1,457,746	-	-	-	-	1,405,468	1,405,468
Debt investments	-	-	-	-	45,561,193	45,561,193	-	-	-	-	43,420,043	43,420,043
Mixed fund investments	-	-	-	-	69,441,633	69,441,633	-	-	-	-	51,234,626	51,234,626
Derivative financial assets	-	-	-	-	1,837,066	1,837,066	-	-	-	-	881,373	881,373
Embedded derivatives debts	-	-	-	-	722,831	722,831	-	-	-	-	723,207	723,207
Certificates of deposit	-	-	-	-	-	-	-	-	-	-	1,268,874	1,268,874
Others	-	-	-	-	2,507,102	2,507,102	-	-	-	-	4,477,849	4,477,849
Total	20,426,483	66,504,553	24,864,553	13,536,069	211,660,645	336,992,303	17,213,459	36,731,622	28,949,537	23,016,446	183,420,932	289,331,996

Notes to the Consolidated Financial Statements

For the year ended December 31, 2022
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VI. EXPLANATORY NOTES (continued)

70. Financial risk management (continued)

70.1 Credit Risk (continued)

70.1.8 Investment products analyzed by credit rating from reputable rating agencies (continued)

Company

	As at December 31, 2022						As at December 31, 2021					
	AAA	AA	A	Below A	Unrated	Total	AAA	AA	A	Below A	Unrated	Total
Corporate bonds	-	-	-	-	605,904	605,904	-	-	-	-	603,879	603,879
Trust products and rights to trust assets	-	-	-	-	10,163,993	10,163,993	-	-	-	-	9,446,054	9,446,054
Asset management plans	-	-	-	-	-	-	-	-	-	-	83,847	83,847
Asset-backed securities	-	-	-	-	116,900	116,900	-	-	-	-	313,844	313,844
Debt investments	-	-	-	-	18,082,269	18,082,269	-	-	-	-	22,133,166	22,133,166
Mixed fund investments	-	-	-	-	55,992,861	55,992,861	-	-	-	-	45,337,331	45,337,331
Others	-	-	-	-	2,105,880	2,105,880	-	-	-	-	2,542,612	2,542,612
Total	-	-	-	-	87,067,807	87,067,807	-	-	-	-	80,460,733	80,460,733

Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

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VI. EXPLANATORY NOTES (continued)

70. Financial risk management (continued)

70.2 Market risk

Market risk is the risk of loss, in respect of the Group's on – and off-balance sheet activities, arising from movements in market rates including interest rates, foreign exchange rates, and commodity and equity prices.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's interest rate risk arises from the mismatches between contractual maturities or repricing dates of interest-generating assets and interest-bearing liabilities.

The risk of fair value and cash flow changes due to interest rate changes is mainly related to the Group's fixed rate and floating rate financial instruments.

The Group manages its interest rate risk by:

- minimizing the mismatches between contractual maturities or repricing dates of interest-generating assets and interest-bearing liabilities;
- strictly controlling the length of the debt restructuring term and strengthening the matching of the Group's liabilities with the terms and interest rate structure of the restructured distressed assets; and
- regularly performing quantitative analysis, including periodic sensitivity analysis.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2022
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VI. EXPLANATORY NOTES (continued)

70. Financial risk management (continued)

70.2 Market risk (continued)

Interest rate risk (continued)

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

Group	As at December 31, 2022						Total
	Less than 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Non-interest-bearing	
Cash and balances with central banks	10,497,116	-	-	-	-	6,180,260	16,677,376
Deposits with banks and financial institutions	85,846,756	6,373,038	-	-	-	5,610,294	97,830,088
Placements with banks and financial institutions	29,873,481	3,621,230	930,288	-	-	-	34,424,999
Deposits with exchanges and others	2,334,962	-	-	-	-	-	2,334,962
Financial assets at fair value through profit or loss	8,342,665	4,891,063	25,919,843	56,753,006	4,567,507	403,021,821	503,495,905
Financial assets at fair value through other comprehensive income	2,155,489	12,038,667	24,793,215	83,506,060	1,325,024	6,669,226	130,487,681
Loans and advances to customers	230,713,789	40,566,168	84,074,987	38,680,906	1,963,050	531,088	396,529,988
Financial assets at amortized cost	21,829,039	10,294,807	65,190,229	72,472,758	207,477	-	169,994,310
Accounts receivable	367,520	-	-	-	-	4,435,810	4,803,330
Financial assets held under resale agreements	29,154,015	288	909,307	-	-	11,757	30,075,367
Other financial assets	2,000	6,850	43,342	56,850	589	11,714,335	11,823,966
Total financial assets	421,116,832	77,792,111	201,861,211	251,469,580	8,063,647	438,174,591	1,398,477,972
Borrowings from central bank	-	-	-	-	-	(986,058)	(986,058)
Accounts payable to brokerage clients	(12,786,214)	-	-	-	-	(6,320,999)	(19,107,213)
Due to customers	(130,543,069)	(88,653,368)	(82,322,697)	(7,884,343)	-	(13,637,052)	(323,040,529)
Deposits from banks and financial institutions	(865,362)	(3,818,706)	(4,231,331)	(3,790,000)	-	(143,440)	(12,848,839)
Placements from banks and financial institutions	(14,224,551)	(2,082,119)	(4,103,453)	-	-	(67,927)	(20,478,050)
Financial liabilities at fair value through profit or loss	(4,524,843)	(779,321)	(1,272,096)	-	-	(4,108,629)	(10,684,889)
Financial assets sold under repurchase agreements	(24,671,175)	(6,747,322)	(10,784,982)	(1,000,000)	-	(222,166)	(43,425,645)
Borrowings	(57,518,994)	(51,336,673)	(306,335,312)	(194,899,970)	(1,882,810)	(3,384,165)	(615,357,924)
Bonds issued	(570,819)	(28,361,598)	(29,558,039)	(145,980,512)	(82,867,979)	(5,543,845)	(292,882,792)
Accounts payable	-	-	-	-	-	(4,946,903)	(4,946,903)
Other financial liabilities	(128,068)	(66,832)	(1,070,900)	(795,055)	(121,926)	(35,578,112)	(37,760,893)
Total financial liabilities	(245,833,095)	(181,845,939)	(439,678,810)	(354,349,880)	(84,872,715)	(74,939,296)	(1,381,519,735)
Interest rate gap	175,283,737	(104,053,828)	(237,817,599)	(102,880,300)	(76,809,068)	363,235,295	16,958,237

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VI. EXPLANATORY NOTES (continued)

70. Financial risk management (continued)

70.2 Market risk (continued)

Interest rate risk (continued)

Group (continued)

	As at December 31, 2021						Total
	Less than 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Non-interest- bearing	
Cash and balances with central banks	12,821,447	-	-	-	-	5,224,282	18,045,729
Deposits with banks and financial institutions	87,517,422	6,572,272	708,662	1,082,780	-	4,040,210	99,921,346
Placements with banks and financial institutions	23,961,714	711,816	372,246	-	-	-	25,045,776
Deposits with exchanges and others	2,202,860	-	-	-	-	-	2,202,860
Financial assets at fair value through profit or loss	5,551,546	3,675,296	31,691,242	65,239,955	929,633	349,116,078	456,203,750
Financial assets at fair value through other comprehensive income	3,365,004	11,440,015	21,771,102	73,209,633	3,201,635	9,604,937	122,592,326
Loans and advances to customers	200,565,837	37,261,916	77,528,979	47,528,840	4,077,847	1,068,026	368,031,445
Financial assets at amortized cost	21,001,944	5,323,451	62,471,813	94,733,204	4,627	-	183,535,039
Accounts receivable	6,117	-	-	384,360	-	2,812,560	3,203,037
Financial assets held under resale agreements	66,930,216	519	98,321	967,196	-	208,057	68,204,309
Other financial assets	8,200	46,478	467,878	83,509	1,177	13,789,444	14,396,686
Total financial assets	423,932,307	65,031,763	195,110,243	283,229,477	8,214,919	385,863,594	1,361,382,303
Borrowings from central bank	(9,906)	-	-	-	-	(986,137)	(996,043)
Accounts payable to brokerage clients	(13,554,645)	-	-	-	-	(4,050,944)	(17,605,589)
Due to customers	(146,482,331)	(62,980,906)	(67,263,603)	(8,806,363)	-	(13,214,916)	(298,748,119)
Deposits from banks and financial institutions	(3,213,824)	(4,956,816)	(7,029,594)	(4,550,000)	(50,000)	(176,672)	(19,976,906)
Placements from banks and financial institutions	(7,905,158)	(4,772,096)	(3,499,414)	-	-	(100,989)	(16,277,657)
Financial liabilities at fair value through profit or loss	(1,860,840)	(1,537,584)	(2,218,055)	-	-	(2,326,460)	(7,942,939)
Financial assets sold under repurchase agreements	(12,623,323)	(231,788)	(605,459)	-	-	(1,635,200)	(15,095,770)
Borrowings	(59,637,497)	(75,111,220)	(332,630,673)	(80,351,045)	(3,487,257)	(3,861,448)	(555,079,140)
Bonds issued	(11,193,846)	(36,703,542)	(71,617,075)	(130,303,501)	(113,365,421)	(4,623,360)	(367,806,745)
Accounts payable	-	-	-	-	-	(5,389,488)	(5,389,488)
Other financial liabilities	(57,845)	(164,253)	(1,092,676)	(995,957)	(157,652)	(22,882,129)	(25,350,512)
Total financial liabilities	(256,539,215)	(186,458,205)	(485,956,549)	(225,006,866)	(117,060,330)	(59,247,743)	(1,330,268,908)
Interest rate gap	167,393,092	(121,426,442)	(290,846,306)	58,222,611	(108,845,411)	326,615,851	31,113,395

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VI. EXPLANATORY NOTES (continued)

70. Financial risk management (continued)

70.2 Market risk (continued)

Interest rate risk (continued)

Company

	As at December 31, 2022						Total
	Less than 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Non-interest- bearing	
Cash and balances with central banks	2,427	-	-	-	-	213	2,640
Deposits with banks and financial institutions	30,810,764	6,369,205	-	-	-	-	37,179,969
Financial assets at fair value through profit or loss	4,997,989	796,846	10,834,382	30,957,874	965,615	337,001,664	385,554,370
Accounts receivable	361,386	-	-	-	-	1,560,206	1,921,592
Financial assets held under resale agreements	24,906,232	-	-	-	-	7,879	24,914,111
Amounts due from subsidiaries	15,207,150	-	4,500,000	10,578,865	-	270,743	30,556,758
Financial assets at fair value through other comprehensive income	-	-	-	-	-	4,484,509	4,484,509
Financial assets at amortized cost	12,806,390	9,460,766	38,804,444	44,597,890	207,477	-	105,876,967
Interests in consolidated structured entities	3,056,973	183,214	9,525,898	17,858,850	-	8,522,075	39,147,010
Other financial assets	-	2,500	11,000	-	-	6,773,122	6,786,622
Total financial assets	92,149,311	16,812,531	63,675,724	103,993,479	1,173,092	358,620,411	636,424,548
Borrowings from central bank	-	-	-	-	-	(986,058)	(986,058)
Placements from banks and a financial institution	(4,040,000)	-	-	-	-	(1,048)	(4,041,048)
Financial liabilities at fair value through profit or loss	-	-	-	-	-	(95,851)	(95,851)
Borrowings	(28,940,000)	(31,005,000)	(257,737,000)	(168,589,800)	-	(2,586,273)	(488,858,073)
Bonds issued	-	(10,265,381)	(3,996,437)	(62,067,614)	(45,811,559)	(3,254,174)	(125,395,165)
Accounts payable	-	-	-	-	-	(21,000)	(21,000)
Other financial liabilities	-	-	-	-	-	(5,626,781)	(5,626,781)
Total financial liabilities	(32,980,000)	(41,270,381)	(261,733,437)	(230,657,414)	(45,811,559)	(12,571,185)	(625,023,976)
Interest rate gap	59,169,311	(24,457,850)	(198,057,713)	(126,663,935)	(44,638,467)	346,049,226	11,400,572

Notes to the Consolidated Financial Statements

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(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

70. Financial risk management (continued)

70.2 Market risk (continued)

Interest rate risk (continued)

Company (continued)

	As at December 31, 2021						Total
	Less than 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Non-interest- bearing	
Cash and balances with central banks	2,419	-	-	-	-	230	2,649
Deposits with banks and financial institutions	33,495,249	5,102,994	637,884	-	-	-	39,236,127
Financial assets at fair value through profit or loss	3,952,934	-	14,953,174	41,511,461	-	278,027,937	338,445,506
Accounts receivable	-	-	-	384,360	-	531,559	915,919
Financial assets held under resale agreements	65,335,443	-	-	-	-	56,036	65,391,479
Amounts due from subsidiaries	3,211,431	7,643,217	9,972,178	6,070,590	-	1,654,456	28,551,872
Financial assets at fair value through other comprehensive income	-	-	-	-	-	7,685,875	7,685,875
Financial assets at amortized cost	17,122,643	5,284,445	51,923,409	65,275,202	4,627	-	139,610,326
Interests in consolidated structured entities	10,015	248,885	10,915,667	14,476,426	-	6,019,191	31,670,184
Other financial assets	8,200	36,478	437,560	-	-	5,124,458	5,606,696
Total financial assets	123,138,334	18,316,019	88,839,872	127,718,039	4,627	299,099,742	657,116,633
Borrowings from central bank	-	-	-	-	-	(986,058)	(986,058)
Financial liabilities at fair value through profit or loss	-	-	-	-	-	(164,524)	(164,524)
Borrowings	(32,397,000)	(63,221,000)	(289,119,500)	(50,730,000)	-	(3,345,056)	(438,812,556)
Bonds issued	(7,928,946)	(18,087,699)	(60,617,005)	(42,474,193)	(69,693,973)	(3,856,322)	(202,658,138)
Accounts payable	-	-	-	-	-	(433,000)	(433,000)
Other financial liabilities	-	-	-	-	-	(4,656,576)	(4,656,576)
Total financial liabilities	(40,325,946)	(81,308,699)	(349,736,505)	(93,204,193)	(69,693,973)	(13,441,536)	(647,710,852)
Interest rate gap	82,812,388	(62,992,680)	(260,896,633)	34,513,846	(69,689,346)	285,658,206	9,405,781

Notes to the Consolidated Financial Statements

For the year ended December 31, 2022
(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

70. Financial risk management (continued)

70.2 Market risk (continued)

Interest rate risk (continued)

The following tables illustrate the potential impact of a parallel upward or downward shift of 100 basis points in the yield rates of all financial instruments on the Group's profit before tax and other comprehensive income, based on the Group's positions of interest-generating assets and interest-bearing liabilities at the end of each reporting period.

Interest rate sensitivity analysis

Group

	As at December 31			
	2022		2021	
	Profit before tax	Other comprehensive income	Profit before tax	Other comprehensive income
+ 100 basis points	(79,129)	(2,356,416)	(498,377)	(1,818,316)
- 100 basis points	79,129	2,428,702	498,377	1,878,225

Company

	As at December 31			
	2022		2021	
	Profit before tax	Other comprehensive income	Profit before tax	Other comprehensive income
+ 100 basis points	(379,493)	-	(709,683)	-
- 100 basis points	379,493	-	709,683	-

Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

70. Financial risk management (continued)

70.2 Market risk (continued)

Foreign exchange risk

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

At the end of each reporting period, a breakdown of the assets and liabilities analyzed by currency is as follows:

Group

	As at December 31, 2022				
		USD	HKD	Other	Total
	RMB	(RMB equivalent)	(RMB equivalent)	currencies (RMB equivalent)	(RMB equivalent)
Cash and balances with central banks	9,795,195	645,854	6,205,405	30,922	16,677,376
Deposits with banks and financial institutions	63,464,871	24,689,959	9,066,972	608,286	97,830,088
Placements with banks and financial institutions	2,245,518	21,045,934	11,133,547	–	34,424,999
Deposits with exchanges and others	2,331,743	1,880	1,339	–	2,334,962
Financial assets at fair value through profit or loss	460,772,355	31,252,538	10,539,710	931,302	503,495,905
Financial assets at amortized cost	158,499,355	3,569,412	7,550,149	375,394	169,994,310
Financial assets at fair value through other comprehensive income	55,262,034	31,906,191	26,919,697	16,399,759	130,487,681
Loans and advances to customers	204,172,053	59,947,490	126,307,499	6,102,946	396,529,988
Accounts receivable	4,588,128	184,941	30,098	163	4,803,330
Financial assets held under resale agreements	30,075,367	–	–	–	30,075,367
Other financial assets	9,151,716	1,083,365	1,186,351	402,534	11,823,966
Total financial assets	1,000,358,335	174,327,564	198,940,767	24,851,306	1,398,477,972

Notes to the Consolidated Financial Statements

For the year ended December 31, 2022
(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

70. Financial risk management (continued)

70.2 Market risk (continued)

Foreign exchange risk (continued)

Group (continued)

	As at December 31, 2022				
		USD	HKD	Other	Total
	RMB	(RMB equivalent)	(RMB equivalent)	currencies (RMB equivalent)	(RMB equivalent)
Borrowings from central bank	(986,058)	-	-	-	(986,058)
Accounts payable to brokerage clients	(18,983,245)	-	(123,968)	-	(19,107,213)
Due to customers	(89,055,686)	(73,341,141)	(151,844,394)	(8,799,308)	(323,040,529)
Deposits from banks and financial institutions	(11,639,721)	(700,781)	(508,270)	(67)	(12,848,839)
Placements from banks and financial institutions	(16,365,911)	(3,451,434)	(275,870)	(384,835)	(20,478,050)
Financial liabilities at fair value through profit or loss	(488,723)	(1,067,663)	(7,272,194)	(1,856,309)	(10,684,889)
Financial assets sold under repurchase agreements	(12,782,429)	(16,543,922)	(14,099,294)	-	(43,425,645)
Borrowings	(582,489,179)	(10,280,088)	(22,347,404)	(241,253)	(615,357,924)
Bonds issued	(198,030,409)	(94,843,379)	(9,004)	-	(292,882,792)
Accounts payable	(4,395,705)	(396,771)	(142,869)	(11,558)	(4,946,903)
Other financial liabilities	(36,874,331)	(414,642)	(444,910)	(27,010)	(37,760,893)
Total financial liabilities	(972,091,397)	(201,039,821)	(197,068,177)	(11,320,340)	(1,381,519,735)
Net exposure	28,266,938	(26,712,257)	1,872,590	13,530,966	16,958,237

Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

70. Financial risk management (continued)

70.2 Market risk (continued)

Foreign exchange risk (continued)

Group (continued)

	As at December 31, 2021				
	RMB	USD	HKD	Other	Total
		(RMB equivalent)	(RMB equivalent)	currencies (RMB equivalent)	
Cash and balances with central banks	13,984,210	638,340	3,395,282	27,897	18,045,729
Deposits with banks and financial institutions	81,779,915	13,443,584	3,932,641	765,206	99,921,346
Placements with banks and financial institutions	5,774,813	4,543,591	14,727,372	–	25,045,776
Deposits with exchanges and others	2,199,913	1,721	1,226	–	2,202,860
Financial assets at fair value through profit or loss	412,620,127	31,612,504	11,154,330	816,789	456,203,750
Financial assets at amortized cost	183,535,039	–	–	–	183,535,039
Financial assets at fair value through other comprehensive income	54,027,583	36,451,710	32,113,033	–	122,592,326
Loans and advances to customers	189,509,793	56,166,541	116,756,032	5,599,079	368,031,445
Accounts receivable	2,845,750	111,562	245,725	–	3,203,037
Financial assets held under resale agreements	68,204,309	–	–	–	68,204,309
Other financial assets	9,935,002	1,420,401	3,038,095	3,188	14,396,686
Total financial assets	1,024,416,454	144,389,954	185,363,736	7,212,159	1,361,382,303

Notes to the Consolidated Financial Statements

For the year ended December 31, 2022
(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

70. Financial risk management (continued)

70.2 Market risk (continued)

Foreign exchange risk (continued)

Group (continued)

	As at December 31, 2021				Total (RMB equivalent)
	USD	HKD	Other		
	(RMB equivalent)	(RMB equivalent)	currencies (RMB equivalent)		
Borrowings from central bank	(996,043)	-	-	-	(996,043)
Accounts payable to brokerage clients	(17,456,725)	-	(148,864)	-	(17,605,589)
Due to customers	(99,447,260)	(55,436,928)	(137,721,414)	(6,142,517)	(298,748,119)
Deposits from banks and financial institutions	(18,667,512)	(351,515)	(957,813)	(66)	(19,976,906)
Placements from banks and financial institutions	(9,720,971)	(4,936,943)	(278,018)	(1,341,725)	(16,277,657)
Financial liabilities at fair value through profit or loss	(528,322)	(1,894,965)	(5,516,227)	(3,425)	(7,942,939)
Financial assets sold under repurchase agreements	(10,892,136)	-	(1,810,455)	(2,393,179)	(15,095,770)
Borrowings	(525,601,396)	(8,072,020)	(21,405,724)	-	(555,079,140)
Bonds issued	(276,367,875)	(91,430,588)	(8,282)	-	(367,806,745)
Accounts payable	(5,000,204)	(259,347)	(125,037)	(4,900)	(5,389,488)
Other financial liabilities	(23,986,679)	(491,957)	(809,791)	(62,085)	(25,350,512)
Total financial liabilities	(988,665,123)	(162,874,263)	(168,781,625)	(9,947,897)	(1,330,268,908)
Net exposure	35,751,331	(18,484,309)	16,582,111	(2,735,738)	31,113,395

Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

70. Financial risk management (continued)

70.2 Market risk (continued)

Foreign exchange risk (continued)

Foreign exchange rate sensitivity analysis

The tables below indicate the potential effect on profit before tax of a 5% appreciation or depreciation of RMB spot and forward exchange rate against all other currencies.

Group

	As at December 31	
	2022	2021
5% appreciation	565,435	231,897
5% depreciation	(565,435)	(231,897)

As the Company's operations are mainly denominated in RMB, directors of the Company are of the view that the Company's foreign exchange risk is insignificant and therefore do not present such analysis.

Price risk

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

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

Group

	As at December 31			
	2022		2021	
	Profit before tax	Equity	Profit before tax	Equity
+1 percent	1,281,836	55,534	1,260,760	87,109
-1 percent	(1,281,836)	(55,534)	(1,260,760)	(87,109)

Notes to the Consolidated Financial Statements

For the year ended December 31, 2022
(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

70. Financial risk management (continued)

70.3 Liquidity risk

Liquidity risk is the risk that funds will not be available to meet liabilities as they fall due. This may arise from cash flows or maturity mismatches of assets and liabilities.

The Group manages its liquidity risk by:

- optimizing assets and liabilities structure;
- implementing a centralized liquidity management system by pooling Group-wide funds and maintaining an efficient internal fund transfer mechanism within the Group; and
- regularly performing quantitative analysis.

The tables below present the cash flows of non-derivative financial assets and financial liabilities by remaining contractual maturity at the end of each reporting period. The amounts disclosed in the tables are the undiscounted contractual cash flows.

Notes to the Consolidated Financial Statements

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VI. EXPLANATORY NOTES (continued)

70. Financial risk management (continued)

70.3 Liquidity risk (continued)

Group

	As at December 31, 2022							Total
	Past due/ undated	On demand	Less than 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	
Cash and balances with central banks	10,443,917	6,233,562	-	-	-	-	-	16,677,479
Deposits with banks and financial institutions	133	87,059,377	4,673,692	6,435,814	-	-	-	98,169,016
Placements with banks and financial institutions	-	-	30,038,402	3,838,395	1,063,408	-	-	34,940,205
Deposits with exchanges and others	2,334,962	-	-	-	-	-	-	2,334,962
Financial assets at fair value through profit or loss	388,014,764	7,202,425	8,760,187	5,704,246	31,845,366	62,889,156	4,838,481	509,254,625
Loans and advances to customers	9,382,356	24,452,818	18,051,166	27,009,327	113,839,618	186,155,160	63,684,174	442,574,619
Accounts receivable	129,583	3,357,583	408,827	17,660	613,948	278,015	-	4,805,616
Financial assets held under resale agreements	157,470	-	29,047,882	310	909,307	-	-	30,114,969
Financial assets at fair value through other comprehensive income	5,631,540	-	2,107,212	12,081,541	25,199,751	90,767,206	1,573,986	137,361,236
Financial assets at amortized cost	21,444,925	1,291,714	6,023,597	11,414,984	71,388,707	95,893,120	285,903	207,742,950
Other financial assets	690,233	10,008,263	687,224	7,261	47,111	386,887	606	11,827,585
Total financial assets	438,229,883	139,605,742	99,798,189	66,509,538	244,907,216	436,369,544	70,383,150	1,495,803,262
Borrowings from central bank	-	(986,058)	-	-	-	-	-	(986,058)
Accounts payable to brokerage clients	-	(19,107,213)	-	-	-	-	-	(19,107,213)
Due to customers	-	(99,330,675)	(44,094,955)	(89,996,550)	(82,998,633)	(8,240,773)	-	(324,661,586)
Deposits from banks and financial institutions	-	(550,134)	(332,682)	(4,071,858)	(4,499,946)	(4,626,668)	-	(14,081,288)
Placements from banks and financial institutions	-	(12,225)	(14,239,696)	(2,104,464)	(4,196,753)	-	-	(20,553,138)
Financial liabilities at fair value through profit or loss	-	(3,180,095)	(4,685,079)	(1,028,197)	(1,547,203)	(270,639)	-	(10,711,213)
Financial assets sold under repurchase agreements	-	(1,870,457)	(22,918,841)	(6,868,107)	(11,068,647)	(1,197,500)	-	(43,923,552)
Borrowings	-	(23,915,890)	(38,962,328)	(51,469,887)	(313,615,451)	(208,154,449)	(2,973,884)	(639,091,889)
Bonds issued	-	-	(576,705)	(28,890,856)	(30,578,844)	(165,135,615)	(110,672,782)	(335,854,802)
Accounts payable	-	(465,407)	(61,572)	(3)	(4,373,339)	(24,248)	(22,334)	(4,946,903)
Other financial liabilities	-	(28,230,245)	(1,379,083)	(151,970)	(2,423,780)	(5,990,985)	(239,269)	(38,415,332)
Total financial liabilities	-	(177,648,399)	(127,250,941)	(184,581,892)	(455,302,596)	(393,640,877)	(113,908,269)	(1,452,332,974)
Net position	438,229,883	(38,042,657)	(27,452,752)	(118,072,354)	(210,395,380)	42,728,667	(43,525,119)	43,470,288

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VI. EXPLANATORY NOTES (continued)

70. Financial risk management (continued)

70.3 Liquidity risk (continued)

Group (continued)

	As at December 31, 2021							Total
	Past due/ undated	On demand	Less than 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	
Cash and balances with central banks	12,819,026	5,226,703	-	-	-	-	-	18,045,729
Deposits with banks and financial institutions	166	83,409,052	8,162,887	6,588,055	710,714	1,272,850	-	100,143,724
Placements with banks and financial institutions	-	-	23,966,238	720,729	378,545	-	-	25,065,512
Deposits with exchanges and others	2,202,860	-	-	-	-	-	-	2,202,860
Financial assets at fair value through profit or loss	334,868,726	11,968,444	2,047,961	3,793,358	38,087,915	71,192,530	1,186,514	463,145,448
Loans and advances to customers	6,459,196	24,141,654	9,355,020	23,893,458	97,822,617	178,023,245	63,723,347	403,418,537
Accounts receivable	1,084,428	1,622,480	25,715	9,113	76,941	440,660	-	3,259,337
Financial assets held under resale agreements	614,212	-	67,958,191	523	104,634	974,736	-	69,652,296
Financial assets at fair value through other comprehensive income	8,710,874	-	3,385,543	11,529,128	22,108,814	78,574,667	3,819,808	128,128,834
Financial assets at amortized cost	24,032,847	823,507	2,593,314	6,662,200	70,041,713	119,629,210	7,981	223,790,772
Other financial assets	132,461	12,911,515	312,847	54,619	470,796	519,104	1,229	14,402,571
Total financial assets	390,924,796	140,103,355	117,807,716	53,251,183	229,802,689	450,627,002	68,738,879	1,451,255,620
Borrowings from central bank	-	(986,058)	(9,994)	-	-	-	-	(996,052)
Accounts payable to brokerage clients	-	(17,605,589)	-	-	-	-	-	(17,605,589)
Due to customers	-	(112,133,135)	(46,456,591)	(63,581,165)	(76,640,419)	(13,470,991)	-	(312,282,301)
Deposits from banks and financial institutions	-	(1,209,262)	(2,017,949)	(5,006,265)	(8,233,863)	(5,647,195)	(61,483)	(22,176,017)
Placements from banks and financial institutions	-	(81,718)	(7,978,089)	(11,995,698)	(8,867,028)	-	-	(28,922,533)
Financial liabilities at fair value through profit or loss	-	(1,734,386)	(1,912,179)	(1,654,159)	(2,304,311)	(337,671)	(2,431)	(7,945,137)
Financial assets sold under repurchase agreements	-	(1,810,304)	(12,453,224)	(231,793)	(605,798)	-	-	(15,101,119)
Borrowings	-	(22,006,188)	(41,592,624)	(76,581,601)	(342,473,581)	(88,165,964)	(5,054,874)	(575,874,832)
Bonds issued	-	-	(11,384,578)	(37,157,895)	(73,311,792)	(138,252,031)	(136,921,904)	(397,028,200)
Accounts payable	-	(4,773,556)	(78,094)	-	(536,077)	(1,761)	-	(5,389,488)
Other financial liabilities	-	(14,939,184)	(536,603)	(648,530)	(2,006,294)	(6,822,669)	(526,289)	(25,479,569)
Total financial liabilities	-	(177,279,380)	(124,419,925)	(196,857,106)	(514,979,163)	(252,698,282)	(142,566,981)	(1,408,800,837)
Net position	390,924,796	(37,176,025)	(6,612,209)	(143,605,923)	(285,176,474)	197,928,720	(73,828,102)	42,454,783

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VI. EXPLANATORY NOTES (continued)

70. Financial risk management (continued)

70.3 Liquidity risk (continued)

Company

	As at December 31, 2022							Total
	Past due/ undated	On demand	Less than 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	
Cash and balances with central banks	-	2,640	-	-	-	-	-	2,640
Deposits with banks and financial institutions	-	29,405,349	1,411,010	6,431,981	-	-	-	37,248,340
Financial assets at fair value through profit or loss	338,567,307	723,403	5,164,364	796,846	11,051,891	31,762,016	997,759	389,063,586
Accounts receivable	1,605	712,887	363,673	-	574,814	270,900	-	1,923,879
Financial assets held under resale agreements	-	-	24,923,477	-	-	-	-	24,923,477
Amounts due from subsidiaries	4,673	15,073,130	400,090	-	5,376,539	10,775,738	-	31,630,170
Financial assets at fair value through other comprehensive income	4,484,509	-	-	-	-	-	-	4,484,509
Financial assets at amortized cost	15,668,085	-	3,848,224	9,658,573	43,467,356	62,486,161	285,903	135,414,302
Interests in consolidated structured entities	11,095,761	-	1,014,988	185,658	10,070,275	19,772,887	-	42,139,569
Other financial assets	430,541	6,019,960	-	2,500	11,000	322,621	-	6,786,622
Total financial assets	370,252,481	51,937,369	37,125,826	17,075,558	70,551,875	125,390,323	1,283,662	673,617,094
Borrowings from central bank	-	(986,058)	-	-	-	-	-	(986,058)
Placements from banks and a financial institution	-	-	(4,041,430)	-	-	-	-	(4,041,430)
Financial liabilities at fair value through profit or loss	-	-	-	-	-	(95,851)	-	(95,851)
Borrowings	-	-	(29,640,766)	(31,340,953)	(263,546,545)	(178,237,974)	-	(502,766,238)
Bonds issued	-	-	-	(10,511,027)	(4,172,633)	(71,821,064)	(60,651,381)	(147,156,105)
Accounts payable	-	-	-	-	-	(21,000)	-	(21,000)
Other financial liabilities	-	(5,304,161)	-	-	-	(322,620)	-	(5,626,781)
Total financial liabilities	-	(6,290,219)	(33,682,196)	(41,851,980)	(267,719,178)	(250,498,509)	(60,651,381)	(660,693,463)
Net position	370,252,481	45,647,150	3,443,630	(24,776,422)	(197,167,303)	(125,108,186)	(59,367,719)	12,923,631

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VI. EXPLANATORY NOTES (continued)

70. Financial risk management (continued)

70.3 Liquidity risk (continued)

Company (continued)

	As at December 31, 2021							Total
	Past due/ undated	On demand	Less than 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	
Cash and balances with central banks	-	2,649	-	-	-	-	-	2,649
Deposits with banks and financial institutions	-	32,219,684	1,275,767	5,106,353	638,724	-	-	39,240,528
Financial assets at fair value through								
profit or loss	282,674,517	952,350	476,800	-	15,655,661	43,226,285	-	342,985,613
Accounts receivable	1,605	529,954	-	-	-	440,660	-	972,219
Financial assets held under resale agreements	-	-	65,442,294	-	-	-	-	65,442,294
Amounts due from subsidiaries	4,673	4,066,782	794,513	7,648,014	10,251,406	6,476,592	-	29,241,980
Financial assets at fair value through other								
comprehensive income	7,685,875	-	-	-	-	-	-	7,685,875
Financial assets at amortized cost	21,967,377	-	2,539,290	5,724,888	57,265,059	83,553,638	7,981	171,058,233
Interests in consolidated structured entities	6,362,930	-	10,067	252,574	11,763,250	16,710,207	-	35,099,028
Other financial assets	83,782	4,631,470	8,200	36,478	437,560	409,206	-	5,606,696
Total financial assets	318,780,759	42,402,889	70,546,931	18,768,307	96,011,660	150,816,588	7,981	697,335,115
Borrowings from central bank	-	(986,058)	-	-	-	-	-	(986,058)
Financial liabilities at fair value through								
profit or loss	-	-	-	-	-	(164,524)	-	(164,524)
Borrowings	-	-	(32,768,085)	(64,480,459)	(297,532,967)	(54,377,116)	-	(449,158,627)
Bonds issued	-	-	(8,098,469)	(18,368,101)	(62,182,832)	(47,614,448)	(93,590,042)	(229,853,892)
Accounts payable	-	-	-	-	(433,000)	-	-	(433,000)
Other financial liabilities	-	(4,656,576)	-	-	-	-	-	(4,656,576)
Total financial liabilities	-	(5,642,634)	(40,866,554)	(82,848,560)	(360,148,799)	(102,156,088)	(93,590,042)	(685,252,677)
Net position	318,780,759	36,760,255	29,680,377	(64,080,253)	(264,137,139)	48,660,500	(93,582,061)	12,082,438

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VI. EXPLANATORY NOTES (continued)

70. Financial risk management (continued)

70.3 Liquidity risk (continued)

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

Group

	As at December 31, 2022							Total
	Past due/ undated	On demand	Less than 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	
Cash and balances with central banks	10,443,814	6,233,562	-	-	-	-	-	16,677,376
Deposits with banks and financial institutions	133	87,059,377	4,397,540	6,373,038	-	-	-	97,830,088
Placements with banks and financial institutions	-	-	29,873,481	3,621,230	930,288	-	-	34,424,999
Deposits with exchanges and others	2,334,962	-	-	-	-	-	-	2,334,962
Financial assets at fair value through profit or loss	385,420,215	7,179,120	8,283,025	5,602,098	31,292,726	60,912,384	4,806,337	503,495,905
Loans and advances to customers	8,618,654	24,449,047	16,726,318	24,327,422	104,023,412	167,951,868	50,433,267	396,529,988
Accounts receivable	129,583	3,357,583	406,541	17,660	613,948	278,015	-	4,803,330
Financial assets held under resale agreements	129,883	-	29,035,870	307	909,307	-	-	30,075,367
Financial assets at fair value through other comprehensive income	5,631,540	-	2,104,031	12,065,428	24,929,246	84,417,116	1,340,320	130,487,681
Financial assets at amortized cost	14,623,911	1,291,714	5,913,414	10,294,807	65,190,229	72,472,758	207,477	169,994,310
Other financial assets	690,233	10,008,263	687,224	7,261	45,389	385,007	589	11,823,966
Total financial assets	428,022,928	139,578,666	97,427,444	62,309,251	227,934,545	386,417,148	56,787,990	1,398,477,972
Borrowings from central bank	-	(986,058)	-	-	-	-	-	(986,058)
Accounts payable to brokerage clients	-	(19,107,213)	-	-	-	-	-	(19,107,213)
Due to customers	-	(98,066,048)	(43,772,359)	(89,996,550)	(82,998,633)	(8,206,939)	-	(323,040,529)
Deposits from banks and financial institutions	-	(550,134)	(323,427)	(3,832,351)	(4,233,652)	(3,909,275)	-	(12,848,839)
Placements from banks and financial institutions	-	(12,225)	(14,235,083)	(2,096,264)	(4,134,478)	-	-	(20,478,050)
Financial liabilities at fair value through profit or loss	-	(3,180,095)	(4,682,830)	(1,025,128)	(1,526,197)	(270,639)	-	(10,684,889)
Financial assets sold under repurchase agreements	-	(1,849,053)	(22,895,673)	(6,818,024)	(10,860,701)	(1,002,194)	-	(43,425,645)
Borrowings	-	(20,170,783)	(38,911,570)	(51,216,435)	(307,727,080)	(195,444,781)	(1,887,275)	(615,357,924)
Bonds issued	-	-	(576,249)	(28,745,812)	(29,757,475)	(148,567,284)	(85,235,972)	(292,882,792)
Accounts payable	-	(465,407)	(61,572)	(3)	(4,373,339)	(24,248)	(22,334)	(4,946,903)
Other financial liabilities	-	(28,224,234)	(767,974)	(148,249)	(2,407,484)	(5,973,793)	(239,159)	(37,760,893)
Total financial liabilities	-	(172,611,250)	(126,226,737)	(183,878,816)	(448,019,039)	(363,399,153)	(87,384,740)	(1,381,519,735)
Net position	428,022,928	(33,032,584)	(28,799,293)	(121,569,565)	(220,084,494)	23,017,995	(30,596,750)	16,958,237

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VI. EXPLANATORY NOTES (continued)

70. Financial risk management (continued)

70.3 Liquidity risk (continued)

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

Group (continued)

	As at December 31, 2021							Total
	Past due/ undated	On demand	Less than 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	
Cash and balances with central banks	12,819,026	5,226,703	-	-	-	-	-	18,045,729
Deposits with banks and financial institutions	166	83,409,052	8,148,414	6,572,272	708,662	1,082,780	-	99,921,346
Placements with banks and financial institutions	-	-	23,961,714	711,816	372,246	-	-	25,045,776
Deposits with exchanges and others	2,202,860	-	-	-	-	-	-	2,202,860
Financial assets at fair value through profit or loss	332,450,748	11,916,996	1,642,046	3,760,282	36,868,191	68,381,605	1,183,882	456,203,750
Loans and advances to customers	4,035,082	23,164,999	8,979,954	22,453,908	91,570,522	164,022,853	53,804,127	368,031,445
Accounts receivable	1,084,428	1,622,480	25,715	9,113	76,941	384,360	-	3,203,037
Financial assets held under resale agreements	144,481	-	66,986,252	519	98,321	974,736	-	68,204,309
Financial assets at fair value through other comprehensive income	8,710,874	-	3,382,581	11,509,519	21,869,300	73,882,191	3,237,861	122,592,326
Financial assets at amortized cost	17,655,551	823,507	2,522,886	5,323,451	62,471,813	94,733,204	4,627	183,535,039
Other financial assets	132,461	12,911,515	312,847	54,619	468,530	515,537	1,177	14,396,686
Total financial assets	379,235,677	139,095,252	115,962,409	50,395,499	214,504,526	403,977,266	58,231,674	1,361,382,303
Borrowings from central bank	-	(986,058)	(9,985)	-	-	-	-	(996,043)
Accounts payable to brokerage clients	-	(17,605,589)	-	-	-	-	-	(17,605,589)
Due to customers	-	(99,961,724)	(46,448,271)	(63,512,459)	(76,154,939)	(12,670,726)	-	(298,748,119)
Deposits from banks and financial institutions	-	(1,209,262)	(2,017,948)	(4,984,955)	(7,081,331)	(4,633,403)	(50,007)	(19,976,906)
Placements from banks and financial institutions	-	(81,718)	(7,916,085)	(4,781,436)	(3,498,418)	-	-	(16,277,657)
Financial liabilities at fair value through profit or loss	-	(1,734,386)	(1,912,162)	(1,653,838)	(2,302,451)	(337,671)	(2,431)	(7,942,939)
Financial assets sold under repurchase agreements	-	(1,810,304)	(12,448,219)	(231,788)	(605,459)	-	-	(15,095,770)
Borrowings	-	(18,472,658)	(41,528,123)	(76,048,867)	(334,838,041)	(80,697,481)	(3,493,970)	(555,079,140)
Bonds issued	-	-	(11,353,270)	(36,962,260)	(72,001,909)	(131,360,919)	(116,128,387)	(367,806,745)
Accounts payable	-	(4,773,556)	(78,094)	-	(536,077)	(1,761)	-	(5,389,488)
Other financial liabilities	-	(14,939,184)	(533,494)	(640,068)	(1,973,114)	(6,738,542)	(526,110)	(25,350,512)
Total financial liabilities	-	(161,574,439)	(124,245,651)	(188,815,671)	(498,991,739)	(236,440,503)	(120,200,905)	(1,330,268,908)
Net position	379,235,677	(22,499,187)	(8,283,242)	(138,420,172)	(284,487,213)	167,536,763	(61,969,231)	31,113,395

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VI. EXPLANATORY NOTES (continued)

70. Financial risk management (continued)

70.3 Liquidity risk (continued)

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

Company

	As at December 31, 2022							Total
	Past due/ undated	On demand	Less than 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	
Cash and balances with central banks	-	2,640	-	-	-	-	-	2,640
Deposits with banks and financial institutions	-	29,405,349	1,405,415	6,369,205	-	-	-	37,179,969
Financial assets at fair value through profit or loss	336,256,445	700,098	4,997,988	796,846	10,834,382	31,002,996	965,615	385,554,370
Accounts receivable	1,605	712,887	361,386	-	574,814	270,900	-	1,921,592
Financial assets held under resale agreements	-	-	24,914,111	-	-	-	-	24,914,111
Amounts due from subsidiaries	4,673	15,073,130	400,090	-	4,500,000	10,578,865	-	30,556,758
Financial assets at fair value through other comprehensive income	4,484,509	-	-	-	-	-	-	4,484,509
Financial assets at amortized cost	8,980,821	-	3,825,569	9,460,766	38,804,444	44,597,890	207,477	105,876,967
Interests in consolidated structured entities	10,596,484	-	982,564	183,214	9,525,898	17,858,850	-	39,147,010
Other financial assets	430,541	6,019,960	-	2,500	11,000	322,621	-	6,786,622
Total financial assets	360,755,078	51,914,064	36,887,123	16,812,531	64,250,538	104,632,122	1,173,092	636,424,548
Borrowings from central bank	-	(986,058)	-	-	-	-	-	(986,058)
Placements from banks and a financial institution	-	-	(4,041,048)	-	-	-	-	(4,041,048)
Financial liabilities at fair value through profit or loss	-	-	-	-	-	(95,851)	-	(95,851)
Borrowings	-	-	(29,594,518)	(31,169,894)	(259,024,165)	(169,069,496)	-	(488,858,073)
Bonds issued	-	-	-	(10,448,472)	(4,033,514)	(63,211,949)	(47,701,230)	(125,395,165)
Accounts payable	-	-	-	-	-	(21,000)	-	(21,000)
Other financial liabilities	-	(5,304,161)	-	-	-	(322,620)	-	(5,626,781)
Total financial liabilities	-	(6,290,219)	(33,635,566)	(41,618,366)	(263,057,679)	(232,720,916)	(47,701,230)	(625,023,976)
Net position	360,755,078	45,623,845	3,251,557	(24,805,835)	(198,807,141)	(128,088,794)	(46,528,138)	11,400,572

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VI. EXPLANATORY NOTES (continued)

70. Financial risk management (continued)

70.3 Liquidity risk (continued)

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

Company (continued)

	As at December 31, 2021							Total
	Past due/ undated	On demand	Less than 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	
Cash and balances with central banks	-	2,649	-	-	-	-	-	2,649
Deposits with banks and financial institutions	-	32,219,684	1,275,565	5,102,994	637,884	-	-	39,236,127
Financial assets at fair value through profit or loss	280,603,169	900,902	476,800	-	14,953,174	41,511,461	-	338,445,506
Accounts receivable	1,605	529,954	-	-	-	384,360	-	915,919
Financial assets held under resale agreements	-	-	65,391,479	-	-	-	-	65,391,479
Amounts due from subsidiaries	4,673	4,066,782	794,432	7,643,217	9,972,178	6,070,590	-	28,551,872
Financial assets at fair value through other comprehensive income	7,685,875	-	-	-	-	-	-	7,685,875
Financial assets at amortized cost	14,599,758	-	2,522,885	5,284,445	51,923,409	65,275,202	4,627	139,610,326
Interests in consolidated structured entities	6,019,191	-	10,015	248,885	10,915,667	14,476,426	-	31,670,184
Other financial assets	83,782	4,631,470	8,200	36,478	437,560	409,206	-	5,606,696
Total financial assets	308,998,053	42,351,441	70,479,376	18,316,019	88,839,872	128,127,245	4,627	657,116,633
Borrowings from central bank	-	(986,058)	-	-	-	-	-	(986,058)
Financial liabilities at fair value through profit or loss	-	-	-	-	-	(164,524)	-	(164,524)
Borrowings	-	-	(32,702,389)	(64,035,075)	(291,081,885)	(50,993,207)	-	(438,812,556)
Bonds issued	-	-	(8,088,370)	(18,260,046)	(60,984,793)	(42,922,983)	(72,401,946)	(202,658,138)
Accounts payable	-	-	-	-	(433,000)	-	-	(433,000)
Other financial liabilities	-	(4,656,576)	-	-	-	-	-	(4,656,576)
Total financial liabilities	-	(5,642,634)	(40,790,759)	(82,295,121)	(352,499,678)	(94,080,714)	(72,401,946)	(647,710,852)
Net position	308,998,053	36,708,807	29,688,617	(63,979,102)	(263,659,806)	34,046,531	(72,397,319)	9,405,781

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VI. EXPLANATORY NOTES (continued)

70. Financial risk management (continued)

70.4 Risk management of distressed assets

(i) Overview

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

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

(ii) Risk management of distressed debt assets

The Group exercises standardized management procedures, including project initiation, due diligence investigation, design and approval of recovery plan and continuous monitoring and management. The Group enhances its risk management by strengthening investigation, review and approval procedures before the recovery of distressed assets, and monitoring measures after the recovery of distressed assets; enhancing risk mitigation effect through collateral; and continuously upgrading the management system of distressed debt assets.

Specifically, the risks to which distressed debts financial assets at fair value through profit or loss mainly comprise valuation risk, legal title risk and to certain extent credit risk; while the risks to which distressed debt assets at amortized cost mainly comprise credit risk.

VI. EXPLANATORY NOTES (continued)

70. Financial risk management (continued)

70.4 Risk management of distressed assets (continued)

(ii) Risk management of distressed debt assets (continued)

(1) Valuation risk

Valuation risk is the risk of negative impact arising from the difference between actual results and value estimations that the Group would use in its management of distressed debt assets at fair value through profit or loss, due to variance in factors such as future cash flows, collection period, discount rate, and disposal cost. Measures the Group takes to minimize the valuation risk include:

- Perform investigation strictly on the parties involved in the transaction (including the debtors and the guarantors), collateral provided, repayment sources, etc.; and
- Adopt conservative estimation on incurrence rate, discount rate, and disposal cost when performing valuation and review the difference between actual results and estimation after the completion of the disposal of distressed assets to improve the accuracy of future estimations.

(2) Legal title risk

Legal title risk is the risk of loss, arising from the decrease of recoverable amount when the legal rights to claim was partially or entirely lost due to inappropriate daily management of distressed assets such as expiry of claim period without taking proper legal actions on time. Measures the Group takes to minimize the legal title risk include:

- Set up alert management system to ensure the expiry of legal claim periods related to distressed assets is managed effectively;
- Set up periodic revisiting mechanism to interview debtors and monitor the conditions of collateral. Maintain regular investigation report properly to ensure the Group has access to the most updated information; and
- Set up reporting mechanism of significant events to ensure immediate recovery action be taken when certain risk elements emerge.

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VI. EXPLANATORY NOTES (continued)

70. Financial risk management (continued)

70.4 Risk management of distressed assets (continued)

(ii) Risk management of distressed debt assets (continued)

(3) Credit risk

In addition to distressed debt assets at amortized cost, certain distressed debt assets at fair value through profit or loss may be subject to credit risk. Depending on the status of the obligor of distressed debt assets as at fair value through profit or loss, the Group may decide to pursue repayment from the obligor instead of disposing it to third party and credit risk arises in such situation. Credit risk represents the potential loss that may arise from the failure of a customer or counterparty's failure to meet its obligation. Characteristics of the credit risk management system of the Group include:

- Apply centralized policy and procedures throughout the Group;
- Enforce strict management system on the credentials of authorized supervisors; and
- Apply more stringent risk management rules and procedures, which include customer investigation, project evaluation, investigation and approval, project execution and post-event management for distressed debt assets at amortized cost.

Measures the Group takes to minimize the credit risk of distressed assets include:

- Manage the creditworthiness of counterparties using independent credit rating on the counterparties as reference;
- Select counterparties with appropriate creditworthiness and repayment capability; and
- Require counterparties to provide collateral which fully covers the credit exposure.

VI. EXPLANATORY NOTES (continued)

70. Financial risk management (continued)

70.4 Risk management of distressed assets (continued)

(iii) Risk management of assets obtained through debt-to-equity swap

Risk related to these equity instruments is the risk of loss arising from movements in the value of equity shares due to price changes or decline in value of the investees.

The measures the Group takes to minimize the risk related to these equity instruments include:

- Strengthen continuous monitoring, analysis and management of equity values;
- Gain better understanding of macro-economic policies reinforced by the government and assess their impact on the equity investments; and
- Track the value changes dynamically and identify the appropriate timing for disposal to realize the maximum value of equity shares.

(iv) Determination of fair value

The Group uses valuation techniques for financial instruments which are not quoted in an active market. Valuation techniques include the use of discounted cash flows analysis, Comparable listed company method, option pricing models or other valuation methods as appropriate. In practical applications, only observable data are used in the models. However, areas such as credit risk of the Group and the counterparty, volatilities and correlations require management to make estimates. Changes in assumptions about these factors could affect the estimated fair value of the financial instruments.

(v) Impairment assessment

The Group performs impairment assessment on distressed debt assets at amortized cost. Assessment procedures for distressed debt assets at amortized cost are similar to those set out in Note VI.70.1 Credit Risk.

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VI. EXPLANATORY NOTES (continued)

70. Financial risk management (continued)

70.5 Capital management

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

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

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

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

In accordance with the requirements of Off-site Supervision Reporting Index System on Financial Asset Management Companies (Yinjianbanfa [2016] No. 38), issued by the CBIRC in 2016, the Company is required to maintain a minimum core Tier I, common Tier I and Tier II Capital Adequacy Ratio ("CAR") at 9%, 10% and 12.5% respectively. CAR is calculated by dividing the corresponding qualified capital of the Company by its risk-weighted assets. As at December 31, 2022 and 2021, the Company complied with the regulatory requirements on the minimum CAR.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2022
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VI. EXPLANATORY NOTES (continued)

71. Fair values of financial instruments

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

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: Valuation techniques using inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly, including bond prices, equity and stock prices, interest rates, foreign exchange rates; and
- Level 3: The management obtains valuation quotations from counterparties or uses valuation techniques to determine the fair value, including the discounted cash flow analysis, net asset value, and market comparison approach, etc. The fair value of these financial instruments may be based on unobservable inputs which may have a significant impact on the valuation of these financial instruments, and therefore, these assets and liabilities have been classified by the Group as level 3. The unobservable inputs which may have an impact on the valuation include weighted average cost of capital, liquidity discount, price to book ratio, etc.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

71. Fair values of financial instruments (continued)

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

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

Group

	As at December 31			
	2022		2021	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets				
Financial assets at amortized cost				
– Distressed debt assets	99,811,414	97,729,795	134,472,694	131,167,056
– Other debt investments	70,182,896	70,060,541	49,062,345	48,823,405
Accounts receivable	4,803,330	4,801,655	3,203,037	3,182,168
Total	174,797,640	172,591,991	186,738,076	183,172,629
Financial liabilities				
Borrowings	(615,357,924)	(614,947,721)	(555,079,140)	(555,566,731)
Bonds issued	(292,882,792)	(296,287,324)	(367,806,745)	(371,701,027)
Total	(908,240,716)	(911,235,045)	(922,885,885)	(927,267,758)

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For the year ended December 31, 2022

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

71. Fair values of financial instruments (continued)

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

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

Financial assets/ financial liabilities		Fair value as at December 31		Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
		2022	2021				
1) Financial assets classified as at fair value through profit or loss		503,495,905	456,203,750				
Debt securities		32,539,405	28,911,734				
– Traded in stock exchanges		2,903,333	2,387,026	Level 1	• Quoted bid prices in an active market.	N/A	N/A
		3,465,843	4,579,956	Level 2	• Quoted market prices from dealers or independent pricing service vendors.	N/A	N/A
		66,945	500	Level 3	• Default rates of recovery.	• Default rates of recovery.	• The lower the recovery rates, the higher the fair value.
					• Future cash flows are estimated based on contractual amounts and coupon rates discounted at a rate that reflects the credit risk of the counterparty.	• Expected recoverable amounts.	• The higher the expected recoverable amounts, the higher the fair value.
– Traded in the inter-bank markets		–	19,803	Level 1	• Quoted bid prices in an active market.	N/A	N/A
		17,053,104	11,886,817	Level 2	• Quoted market prices from dealers or independent pricing service vendors.	N/A	N/A
		–	9,305	Level 3	• Default rates of recovery.	• Expected recoverable amounts.	• The higher the expected recoverable amounts, the higher the fair value.
– Traded over the counter		7,628,156	8,035,647	Level 2	• Quoted market prices from dealers or independent pricing service vendors.	N/A	N/A
		43,963	–	Level 3	• Default rates of recovery.	• Default rates of recovery.	• The lower the recovery rates, the higher the fair value.
					• Future cash flows are estimated based on contractual amounts and coupon rates discounted at a rate that reflects the credit risk of the counterparty.	• Expected recoverable amounts.	• The higher the expected recoverable amounts, the higher the fair value.

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For the year ended December 31, 2022
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VI. EXPLANATORY NOTES (continued)

71. Fair values of financial instruments (continued)

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

Group (continued)

Financial assets/ financial liabilities	Fair value as at December 31		Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
	2022	2021				
- Traded in inactive markets	1,378,061	1,992,680	Level 3	<ul style="list-style-type: none"> Discounted cash flows for the debt component and binomial option pricing model for the option component. Future cash flows are estimated based on contractual amounts and coupon rates discounted at a rate that reflects the credit risk of the counterparty. 	<ul style="list-style-type: none"> Discount rates that correspond to the expected risk level. Volatility rates that are in line with those of similar products. 	<ul style="list-style-type: none"> The lower the discount rates, the higher the fair value. The higher the volatility rates, the higher the fair value.
Equity investments listed or traded on exchanges	16,777,486	19,169,262				
Unrestricted listed equity investments	16,476,830	18,627,063				
- Manufacturing	6,666,555	6,356,638	Level 1	Quoted bid prices in an active market.	N/A	N/A
- Finance	747,734	812,674	Level 1	Quoted bid prices in an active market.	N/A	N/A
- Leasing and commercial services	-	133	Level 1	Quoted bid prices in an active market.	N/A	N/A
- Mining	1,861,451	4,710,760	Level 1	Quoted bid prices in an active market.	N/A	N/A
- Transportation, warehousing and postal services	1,555,041	1,122,715	Level 1	Quoted bid prices in an active market.	N/A	N/A
- Information transmission, software and information technology services	929,006	971,010	Level 1	Quoted bid prices in an active market.	N/A	N/A
- Culture, sports and entertainment	241,880	301,588	Level 1	Quoted bid prices in an active market.	N/A	N/A
- Scientific research, technical services and geological prospecting industry	-	13,398	Level 1	Quoted bid prices in an active market.	N/A	N/A
- Health and social security industry	153,192	200,054	Level 1	Quoted bid prices in an active market.	N/A	N/A
- Real estate	64,456	123,106	Level 1	Quoted bid prices in an active market.	N/A	N/A
- Production and supply of electricity, gas and water	868,028	805,382	Level 1	Quoted bid prices in an active market.	N/A	N/A
- Medicine manufacturing industry	2,442,886	2,509,408	Level 1	Quoted bid prices in an active market.	N/A	N/A
- Others	946,601	700,197	Level 1	Quoted bid prices in an active market.	N/A	N/A

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VI. EXPLANATORY NOTES (continued)

71. Fair values of financial instruments (continued)

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

Group (continued)

Financial assets/ financial liabilities	Fair value as at December 31		Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
	2022	2021				
Restricted listed equity investments	300,656	542,199	Level 3	• Option Pricing Model.	• Stock volatility.	• The lower the stock volatility, the higher the fair value.
– Manufacturing	165,192	393,037				
– Others	135,464	149,162				
Equity investments in unlisted companies	53,448,574 51,544,530	51,174,895 48,873,460	Level 3	• Comparable listed company method, comparable transaction cases, etc.	• Market multiplier. • Discount for lack of marketability (DLOM).	• The higher the market multiplier, the higher the fair value. • The lower the DLOM, the higher the fair value.
	1,904,044	2,301,435	Level 3	• Income approach.	• Expected future cash flow. • Discount for lack of marketability (DLOM). • Discount rates that correspond to the expected risk level.	• The higher the future cash flow, the higher the fair value. • The lower the DLOM, the higher the fair value. • The lower the discount rate, the higher the fair value.

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VI. EXPLANATORY NOTES (continued)

71. Fair values of financial instruments (continued)

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

Group (continued)

Financial assets/ financial liabilities	Fair value as at December 31		Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
	2022	2021				
Mutual funds	119,431,466	99,009,229				
– Mutual fund with open or active quotations	3,974,684 1,900,692	9,498,936 1,412,949	Level 1 Level 2	<ul style="list-style-type: none"> Quoted bid prices in an active market. Quoted market prices from dealers or independent pricing service vendors. 	N/A N/A	N/A N/A
– Investing in debt instruments	47,595,402	30,029,498	Level 3	<ul style="list-style-type: none"> Discounted cash flow with future cash flow that are estimated based on expected recoverable amounts, discounted at rates that reflect management's best estimation of the expected risk level. 	<ul style="list-style-type: none"> Expected recoverable amounts. Expected recovery date. Discount rates that correspond to the expected risk level. 	<ul style="list-style-type: none"> The higher the recoverable amounts, the higher the fair value. The earlier the recovery date, the higher the fair value. The lower the discount rates, the higher the fair value.
– Investing in unrestricted listed equity	579,424	515,626	Level 1	<ul style="list-style-type: none"> Quoted bid prices in an active market. 	N/A	N/A
– Investing in restricted listed equity	350,986	296,840	Level 3	<ul style="list-style-type: none"> Option Pricing Model. 	<ul style="list-style-type: none"> Stock volatility. 	<ul style="list-style-type: none"> The lower the stock volatility, the higher the fair value.
– Investing in other equity instruments	65,030,278	57,255,380	Level 3	<ul style="list-style-type: none"> Comparable listed company method, comparable transaction cases, etc. 	<ul style="list-style-type: none"> Market multiplier. Discount for lack of marketability (DLOM). 	<ul style="list-style-type: none"> The higher the market multiplier, the higher the fair value. The lower the DLOM, the higher the fair value.

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VI. EXPLANATORY NOTES (continued)

71. Fair values of financial instruments (continued)

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

Group (continued)

Financial assets/ financial liabilities	Fair value as at December 31		Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
	2022	2021				
Debt instruments	16,264,284	22,393,054				
– Other debt instruments	15,541,453	21,669,847	Level 3	<ul style="list-style-type: none"> Discounted cash flows with future cash flows that are estimated based on expected recoverable amounts, discounted at rates that reflect management's best estimation of the expected risk level. 	<ul style="list-style-type: none"> Expected recoverable amounts. Expected recovery date. 	<ul style="list-style-type: none"> The higher the recoverable amounts, the higher the fair value. The earlier the recovery date, the higher the fair value.
– Embedded derivatives debts	722,831	723,207	Level 3	<ul style="list-style-type: none"> Discounted cash flows for the debt component and binomial option pricing model for the option component. 	<ul style="list-style-type: none"> Discount rates that correspond to the expected risk level. Expected future cash flows. Discount rates that correspond to the expected risk level. Stock price volatility. 	<ul style="list-style-type: none"> The lower the discount rates, the higher the fair value. The higher the future cash flow, the higher the fair value. The lower the discount rates, the higher the fair value. The higher stock price volatility, the higher the fair value.

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For the year ended December 31, 2022
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VI. EXPLANATORY NOTES (continued)

71. Fair values of financial instruments (continued)

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

Group (continued)

Financial assets/ financial liabilities	Fair value as at December 31		Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
	2022	2021				
Derivative financial assets	1,887,923	1,087,428				
	297,439	217,111	Level 1	• Quoted bid prices in an active market.	N/A	N/A
	1,455,245	664,262	Level 2	• Valuation techniques based on market data including interest rates and foreign exchange rates.	N/A	N/A
	135,239	206,055	Level 3	• Discounted cash flows with future cash flows that are estimated based on expected recoverable amounts, discounted at rates that reflect management's best estimation of the expected risk level. ⁽¹⁾	<ul style="list-style-type: none"> • Expected recoverable amounts. • Expected recovery date. • Discount rates that correspond to the expected risk level. 	<ul style="list-style-type: none"> • The higher the recoverable amounts, the higher the fair value. • The earlier the recovery date, the higher the fair value. • The lower the discount rates, the higher the fair value.
Certificates of deposit	-	1,268,874	Level 2	• Quoted market prices from dealers or independent pricing service vendors.	N/A	N/A
Distressed debt assets	233,437,193	203,739,505	Level 3	• Discounted cash flows with future cash flows that are estimated based on expected recoverable amounts, discounted at rates that reflect management's best estimation of the expected risk level.	<ul style="list-style-type: none"> • Expected recoverable amounts. • Expected recovery date. • Discount rates that correspond to the expected risk level. 	<ul style="list-style-type: none"> • The higher the recoverable amounts, the higher the fair value. • The earlier the recovery date, the higher the fair value. • The lower the discount rates, the higher the fair value.

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

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VI. EXPLANATORY NOTES (continued)

71. Fair values of financial instruments (continued)

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

Group (continued)

Financial assets/ financial liabilities	Fair value as at December 31		Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
	2022	2021				
Wealth management products	1,776,838	1,531,919	Level 3	<ul style="list-style-type: none"> Discounted cash flow with future cash flows that are estimated based on expected recoverable amounts, discounted at rates that reflect management's best estimation of the expected risk level. 	<ul style="list-style-type: none"> Expected future cash flows. Expected recovery date. Discount rates that correspond to the expected risk level. 	<ul style="list-style-type: none"> The higher the future cash flow, the higher the fair value. The earlier the recovery date, the higher the fair value. The lower the discount rate, the higher the fair value.
Asset management plans	2,825,774	2,219,147				
– Investing in the portfolio with open or active quotations	2,312,425	661,889	Level 2	<ul style="list-style-type: none"> Quoted market prices from dealers or independent pricing service vendors. 	N/A	N/A
– Investing in debt instruments	–	89,905	Level 3	<ul style="list-style-type: none"> Discounted cash flows with future cash flows that are estimated based on expected recoverable amounts, discounted at rates that reflect management's best estimation of the expected risk level. 	<ul style="list-style-type: none"> Expected future cash flows. Expected recovery date. Discount rates that correspond to the expected risk level. 	<ul style="list-style-type: none"> The higher the future cash flows, the higher the fair value. The earlier the recovery date, the higher the fair value. The lower the discount rate, the higher the fair value.
– Investing in equity instruments	513,349	1,467,353	Level 3	<ul style="list-style-type: none"> Comparable listed company method, comparable transaction cases, etc. 	<ul style="list-style-type: none"> Market multiplier. Discount for lack of marketability (DLOM). 	<ul style="list-style-type: none"> The higher the market multiplier, the higher the fair value. The lower the DLOM, the higher the fair value.

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VI. EXPLANATORY NOTES (continued)

71. Fair values of financial instruments (continued)

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

Group (continued)

Financial assets/ financial liabilities	Fair value as at December 31		Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
	2022	2021				
Asset-backed securities	1,457,746	1,405,468				
	754,537	964,266	Level 1	• Quoted bid prices in an active market.	N/A	N/A
	703,209	441,202	Level 3	• Discounted cash flows with future cash flows that are estimated based on expected recoverable amounts, discounted at rates that reflect management's best estimation of the expected risk level.	<ul style="list-style-type: none"> • Expected future cash flows. • Expected recovery date. • Discount rates that correspond to the expected risk level. 	<ul style="list-style-type: none"> • The higher the future cash flows, the higher the fair value. • The earlier the recovery date, the higher the fair value. • The lower the discount rate, the higher the fair value.
Trust products and rights to trust assets	23,271,755	23,957,448				
– Investing in the portfolio with open or active market quotations	–	852,270	Level 2	• Quoted market prices from dealers or independent pricing service vendors.	N/A	N/A
– Investing in debt instruments	17,549,524	15,711,897	Level 3	• Discounted cash flows with future cash flows that are estimated based on expected recoverable amounts, discounted at rates that reflect management's best estimation of the expected risk level.	<ul style="list-style-type: none"> • Expected future cash flows. • Expected recovery date. • Discount rates that correspond to the expected risk level. 	<ul style="list-style-type: none"> • The higher the future cash flows, the higher the fair value. • The earlier the recovery date, the higher the fair value. • The lower the discount rate, the higher the fair value.
– Investing in equity instruments	5,722,231	7,393,281	Level 3	• Comparable listed company method, comparable transaction cases, etc.	<ul style="list-style-type: none"> • Market multiplier. • Discount for lack of marketability (DLOM). 	<ul style="list-style-type: none"> • The higher the market multiplier, the higher the fair value. • The lower the DLOM, the higher the fair value.

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VI. EXPLANATORY NOTES (continued)

71. Fair values of financial instruments (continued)

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

Group (continued)

Financial assets/ financial liabilities	Fair value as at December 31		Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
	2022	2021				
Others	377,461	335,787				
– Investing in debt instruments	377,461	335,787	Level 3	<ul style="list-style-type: none"> Discounted cash flows with future cash flows that are estimated based on expected recoverable amounts, discounted at rates that reflect management's best estimation of the expected risk level. 	<ul style="list-style-type: none"> Expected future cash flows. Expected recovery date. Discount rates that correspond to the expected risk level. 	<ul style="list-style-type: none"> The higher the future cash flows, the higher the fair value. The earlier the recovery date, the higher the fair value. The lower the discount rate, the higher the fair value.
2) Loans and advances to customers at fair value through profit or loss						
– Loans and advances	14,436,617	19,207,444	Level 3	<ul style="list-style-type: none"> Discounted cash flows with future cash flows that are estimated based on expected recoverable amounts, discounted at rates that reflect management's best estimation of the expected risk level. 	<ul style="list-style-type: none"> Expected recoverable amounts. Expected recovery date. Discount rates that correspond to the expected risk level. 	<ul style="list-style-type: none"> The higher the recoverable amounts, the higher the fair value. The earlier the recovery date, the higher the fair value. The lower the discount rates, the higher the fair value.

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VI. EXPLANATORY NOTES (continued)

71. Fair values of financial instruments (continued)

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

Group (continued)

Financial assets/ financial liabilities	Fair value as at December 31		Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
	2022	2021				
3) Financial assets at fair value through other comprehensive income	130,487,681	122,592,326				
Debt investments at fair value through other comprehensive income	124,934,251	113,881,452				
Debt securities	124,934,251	113,881,452				
– Traded on stock exchanges	20,148,561	19,046,705	Level 1	• Quoted bid prices in an active market.	N/A	N/A
– Traded in inter-bank markets	29,409,452	25,215,949	Level 2	• Quoted market prices from dealers or independent pricing service vendors.	N/A	N/A
– Traded over the counter	75,376,238	69,618,798	Level 2	• Quoted market prices from dealers or independent pricing service vendors.	N/A	N/A
Equity instruments designated as at fair value through other comprehensive income	5,553,430	8,710,874				
Unrestricted listed equity investments	4,549,743	3,685,875				
– Manufacturing	4,549,743	3,685,875	Level 1	• Quoted bid prices in an active market.	N/A	N/A
Restricted listed equity investments	984,174	4,984,174				
– Financial service	984,174	4,984,174	Level 3	• Option pricing model.	• Stock volatility.	• The lower the stock volatility, the higher the fair value.

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VI. EXPLANATORY NOTES (continued)

71. Fair values of financial instruments (continued)

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

Group (continued)

Financial assets/ financial liabilities	Fair value as at December 31		Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
	2022	2021				
Unlisted equity instruments – Financial service	19,513 19,513	40,825 40,825	Level 3	• Income approach.	<ul style="list-style-type: none"> • Expected future cash flow. • Discount rates that correspond to the expected risk level. 	<ul style="list-style-type: none"> • The higher the future cash flow, the higher the fair value. • The lower the discount rate, the higher the fair value.
4) Financial liabilities at fair value through profit or loss	(10,684,889)	(7,942,939)	Level 2	• Calculated based on the quoted prices or similar assets traded in an active market.	N/A	N/A
– The OTC derivative financial liabilities	(1,051,739)	(668,546)				
– Short positions in exchange fund bills and notes	(9,416,399)	(6,903,073)				
– Financing payables linked to stock index	(216,751)	(371,320)				

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VI. EXPLANATORY NOTES (continued)

71. Fair values of financial instruments (continued)

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

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

Group

	As at December 31, 2022			Total
	Level 1	Level 2	Level 3	
Financial assets at fair value through profit or loss	24,986,247	33,815,465	444,694,193	503,495,905
Loans and advances to customers	–	–	14,436,617	14,436,617
Financial assets at fair value through other comprehensive income	24,698,304	104,785,690	1,003,687	130,487,681
Total assets	49,684,551	138,601,155	460,134,497	648,420,203
Financial liabilities at fair value through profit or loss	–	(10,684,889)	–	(10,684,889)
Total liabilities	–	(10,684,889)	–	(10,684,889)

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VI. EXPLANATORY NOTES (continued)

71. Fair values of financial instruments (continued)

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

Group (continued)

	As at December 31, 2021			Total
	Level 1	Level 2	Level 3	
Financial assets at fair value				
through profit or loss	32,229,831	29,362,664	394,611,255	456,203,750
Loans and advances to customers	–	–	19,207,444	19,207,444
Financial assets at fair value through other comprehensive income	22,732,580	94,834,747	5,024,999	122,592,326
Total assets	54,962,411	124,197,411	418,843,698	598,003,520
Financial liabilities at fair value				
through profit or loss	–	(7,942,939)	–	(7,942,939)
Total liabilities	–	(7,942,939)	–	(7,942,939)

Notes to the Consolidated Financial Statements

For the year ended December 31, 2022
(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

71. Fair values of financial instruments (continued)

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

Group (continued)

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

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

71.3 Reconciliation of Level 3 fair value measurements

Group

	Financial assets at FVTPL	Financial assets at FVOCI	Financial liabilities at FVTPL
As at January 1, 2022	394,611,255	5,024,999	–
Recognized in profit or loss	1,502,968	–	–
Recognized in other comprehensive income	–	(2,585,074)	–
Purchases	127,173,691	–	–
Settlements/disposals at cost	(78,120,034)	–	–
Transfer in Level 3	107,124	–	–
Transfer out from Level 3	(580,811)	(1,436,238)	–
As at December 31, 2022	444,694,193	1,003,687	–
Changes in unrealized gains or losses for the year included in profit or loss for assets held at the end of the year	(1,705,282)	–	–

Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

71. Fair values of financial instruments (continued)

71.3 Reconciliation of Level 3 fair value measurements (continued)

Group (continued)

	Financial assets at FVTPL	Financial assets at FVOCI	Financial liabilities at FVTPL
As at January 1, 2021	404,837,178	4,473,085	–
Recognized in profit or loss	5,159,170	–	–
Recognized in other comprehensive income	–	237,789	–
Purchases	85,465,363	4,000,000	–
Settlements/disposals at cost	(94,736,665)	–	–
Transfer in Level 3	9,305	–	–
Transfer out from Level 3	(6,123,096)	(3,685,875)	–
As at December 31, 2021	394,611,255	5,024,999	–
Changes in unrealized gains or losses for the year included in profit or loss for assets held at the end of the year	(4,198,589)	–	–

For the years ended December 31, 2022 and 2021, certain restricted equity investments became tradable and quoted prices were available in active markets, these equity investments were transferred from Level 3 to Level 1 of the fair value hierarchy at the reporting period.

Total gains or losses for the years ended December 31, 2022 and 2021 included in the statement of profit or loss as well as total gains or losses included in the statement of profit or loss relating to financial instruments held as at December 31, 2022 and 2021 are presented in “unrealized gains included in fair value changes on distressed debt assets”, “fair value changes on other financial assets”, “impairment losses on assets” depending on the nature or category of the related financial instruments.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2022
(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

72. Acquisition of subsidiaries

During the year, the Group acquired some subsidiaries. None of these acquisitions were individually significant, and their aggregated information is set out below:

Consideration paid:

	Year ended December 31 2022
Cash consideration paid	171,340

Analysis of assets and liabilities of the subsidiaries acquired:

	Year ended December 31 2022
Total assets	2,695,003
Total liabilities	2,738,840

Net cash flows arising on acquisition:

	Year ended December 31 2022
Cash consideration paid	171,340
Cash and cash equivalents balances acquired	155
Net cash outflow	171,185

Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

73. Disposal of subsidiaries

During the year, the Group disposed some subsidiaries. None of these disposals were individually significant, and their aggregated information is set out below:

Consideration received:

	Year ended December 31 2022
Cash consideration received	3,063,916

Analysis of assets and liabilities of the subsidiaries disposed of:

	Year ended December 31 2022
Total assets	11,026,427
Total liabilities	11,744,569

Net cash flows arising on disposal:

	Year ended December 31 2022
Cash consideration received	3,063,916
Less: Cash and cash equivalent balances disposed of	319,753
Net cash inflow	2,744,163

Notes to the Consolidated Financial Statements

For the year ended December 31, 2022
(Amounts in thousands of RMB, unless otherwise stated)

VII. EVENTS AFTER THE REPORTING PERIOD

1. Pursuant to the meeting of the Board of Directors on March 28, 2023, the proposal of the profit appropriations of the Company for the year ended December 31, 2022 is set out as follows:

- (1) An appropriation of RMB641,389 thousand to the statutory surplus reserve;
- (2) No general reserve to be appropriated basing on risk assets as at December 31, 2022; and
- (3) A cash dividend distribution of RMB0.4963 per 10 shares (tax inclusive), which is RMB1.894 billion in total in respect of the year.

As at December 31, 2022, the statutory surplus reserve had been recognized as appropriation. The dividend will be recognized on the Company's and the Group's financial statements after the approval by shareholders in the forthcoming general meeting.

2. Cinda Securities, the Group's subsidiary, was listed in Mainland China and traded on the Shanghai Stock Exchange on 1 February 2023 (stock code: 601059). After completion of the listing, the proportion of ownership held by the Group was reduced from 87.42% to 78.67%.

VIII. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements are approved and authorized by the Board of Directors on March 28, 2023.

14. Branches and Major Subsidiaries

1. Head Office

China Cinda Asset Management Co., Ltd.

Address: No. 1 Building, 9 Naoshikou Street, Xicheng District, Beijing

Postal code: 100031

Tel.No.: 86-10-63080000

Fax No.: 86-10-83329210

Website: www.cinda.com.cn

2. Branches

▲China Cinda Asset Management Co., Ltd. Beijing Branch

Address: F17-18, Tower E, Global Trade Center, 36 North Third Ring Road East, Dongcheng District, Beijing

Postal code: 100013

Tel.No.: (010) 59025069

Fax No.: (010) 59025004

▲China Cinda Asset Management Co., Ltd. Tianjin Branch

Address: No. 901, Tower B3, Junlong Plaza, 2 Xi'an Road, Heping District, Tianjin

Postal code: 300050

Tel.No.: (022) 83122696

Fax No.: (022) 23947732

▲China Cinda Asset Management Co., Ltd. Hebei Branch

Address: 26-27/F, Zhongjiao Fortune Center T3, 118 Ziqiang Road, Qiaoxi District, Shijiazhuang, Hebei

Postal code: 050011

Tel.No.: (0311) 89166199

Fax No.: (0311) 89169100

▲China Cinda Asset Management Co., Ltd. Shanxi Branch

Address: 43 and 44/F, Cinda International Financial Center, No.86 Yingze West Street, Wanbolin District, Taiyuan, Shanxi

Postal code: 030024

Tel.No.: (0351) 6068316

Fax No.: (0351) 6068211

14. Branches and Major Subsidiaries

▲China Cinda Asset Management Co., Ltd. Inner Mongolia Autonomous Region Branch

Address: Building 9, Greenland Tengfei Building, Tengfei South Road, Saihan District, Hohhot, Inner Mongolia Autonomous Region

Postal code: 010000

Tel.No.: (0471) 5618253

Fax No.: (0471) 3602789

▲China Cinda Asset Management Co., Ltd. Liaoning Branch

Address: Room 601-620, 6/F and Part of 7/F, 3 Ying Pan North Street, Hunnan District, Shenyang, Liaoning

Postal code: 110179

Tel.No.: (024) 22518919

Fax No.: (024) 22518921

▲China Cinda Asset Management Co., Ltd. Jilin Branch

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Tel.No.: (0431) 88401641

Fax No.: (0431) 88922428

▲China Cinda Asset Management Co., Ltd. Heilongjiang Branch

Address: 7, 8/F, 125 Chuangxinyi Road, Songbei District, Harbin, Heilongjiang

Postal code: 150028

Tel.No.: (0451) 51008388

Fax No.: (0451) 51008387

▲China Cinda Asset Management Co., Ltd. Shanghai Branch

Address: 24-25/F, Cinda Building, 1399 Beijing West Road, Jing'an District, Shanghai

Postal code: 200040

Tel.No.: (021) 52000808

Fax No.: (021) 52000990

▲China Cinda Asset Management Co., Ltd. Shanghai Pilot Free Trade Zone Branch

Address: Unit 03 and 04, 12/F, 2 Building, 759 Yang Gao South Road, Pudong New Area, Shanghai

Postal code: 200127

Tel.No.: (021) 68581510

Tel.No.: (021) 68581597

14. Branches and Major Subsidiaries

▲China Cinda Asset Management Co., Ltd. Jiangsu Branch

Address: 18-20/F, Building 10, 377 Middle Jiangdong Road, Jianye District, Nanjing, Jiangsu Postal code: 210019

Tel.No.: (025) 52680813 · 52680862

Fax No.: (025) 52680852

▲China Cinda Asset Management Co., Ltd. Zhejiang Branch

Address: 9, 11 and 12/F, Tower B, Biaoli Building, 528 Yan'an Road, Hangzhou, Zhejiang Postal code: 310006

Tel.No.: (0571) 85774679, 85774675

Fax No.: (0571) 85774800, 85774656

▲China Cinda Asset Management Co., Ltd. Anhui Branch

Address: 16-17/F, Building 2, China Cinda (Hefei) Disaster Recovery and Backup Base, 2599 Hangzhou Road, Binhu New District, Hefei, Anhui

Postal code: 230091

Tel.No.: (0551) 65803012

Fax No.: (0551) 65803092

▲China Cinda Asset Management Co., Ltd. Fujian Branch

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▲China Cinda Asset Management Co., Ltd. Jiangxi Branch

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Fax No.: (0791) 86387011

▲China Cinda Asset Management Co., Ltd. Shandong Branch

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Fax No.: (0531) 87080280

14. Branches and Major Subsidiaries

▲China Cinda Asset Management Co., Ltd. Henan Branch

Address: 28 Fengchan Road, Jinshui District, Zhengzhou, Henan

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Tel.No.: (0371) 63865600

Fax No.: (0371) 63865600

▲China Cinda Asset Management Co., Ltd. Hubei Branch

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Postal code: 430071

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Fax No.: (027) 87813704

▲China Cinda Asset Management Co., Ltd. Hunan Branch

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Postal code: 410005

Tel.No.: (0731) 84121860

Fax No.: (0731) 84121860

▲China Cinda Asset Management Co., Ltd. Guangdong Branch

Address: 2404, 2405, 25-26/F, Guangzhou International Commercial Center, 235 Tianhe North Road, Tianhe District, Guangzhou, Guangdong

Postal code: 510610

Tel.No.: (020) 38791778

Fax No.: (020) 38791820

▲China Cinda Asset Management Co., Ltd. Shenzhen Branch

Address: 20-21/F, Block A, Greater China International Finance Centre (The Malls At Oriental Plaza), 1003 Shennan Road, Futian District, Shenzhen, Guangdong

Postal code: 518000

Tel.No.: (0755) 82900004

Fax No.: (0755) 82910608

▲China Cinda Asset Management Co., Ltd. Guangxi Zhuang Autonomous Region Branch

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14. Branches and Major Subsidiaries

▲China Cinda Asset Management Co., Ltd. Hainan Branch

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Postal code: 570105

Tel.No.: (0898) 68623068

Fax No.: (0898) 68666962

▲China Cinda Asset Management Co., Ltd. Chongqing Branch

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Postal code: 401121

Tel.No.: (023) 63763613

Fax No.: (023) 63763600

▲China Cinda Asset Management Co., Ltd. Sichuan Branch

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Postal code: 610015

Tel.No.: (028) 65009800

Fax No.: (028) 65009818

▲China Cinda Asset Management Co., Ltd. Guizhou Branch

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Postal code: 550002

Tel.No.: (0851) 85252839, 85254513

Fax No.: (0851) 85251483

▲China Cinda Asset Management Co., Ltd. Yunnan Branch

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Tel.No.: (0871) 63638666, 63643630

Fax No.: (0871) 63638666

▲China Cinda Asset Management Co., Ltd. Shaanxi Branch

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Fax No.: (029) 87266917

14. Branches and Major Subsidiaries

▲China Cinda Asset Management Co., Ltd. Ningxia Hui Autonomous Region Branch

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Fax No.: (0951) 8897190

▲China Cinda Asset Management Co., Ltd. Gansu Branch

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Postal code: 730030

Tel.No.: (0931) 8869100

Fax No.: (0931) 8866276

▲China Cinda Asset Management Co., Ltd. Qinghai Branch

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Tel.No.: (0971) 8123904, 8123905

Fax No.: (0971) 8229375

▲China Cinda Asset Management Co., Ltd. Xinjiang Uygur Autonomous Region Branch

Address: 6-7/F, Block B, Square United Building, 462 Zhongshan Road, Tianshan District, Urumqi, Xinjiang Uygur Autonomous Region

Postal code: 830002

Tel.No.: (0991) 2311766

Fax No.: (0991) 2325171

▲China Cinda Asset Management Co., Ltd. Hefei Operation Support Center

Address: 19/F, Building 2, China Cinda (Hefei) Disaster Recovery and Backup Base, 2599 Hangzhou Road, Binhu New District, Hefei, Anhui

Postal code: 230091

Tel.No.: (0551) 65802025

Fax No.: (0551) 65802012

14. Branches and Major Subsidiaries

3. Platforms for Financial Service and Asset Management Businesses

▲Nanyang Commercial Bank, Limited

Address: 151 Des Voeux Road, Central, Hong Kong

Tel.No.: (00852) 28520888

Fax No.: (00852) 28153333

Website: www.ncb.com.hk

- Nanyang Commercial Bank (China) Limited

Address: 13-16/F, 18-20/F, No.898, Pu Ming Road, Pudong New Area, Shanghai

Tel.No.: (021) 38566666

Fax No.: (021) 68879800

Postal code: 200122

▲Cinda Securities Co., Ltd.

Address: No. 1 Building, 9 Naoshikou Street, Xicheng District, Beijing

Postal code: 100031

National customer service hotline: 95321

Tel.No.: (010) 63080940

Fax No.: (010) 63080918

Website: www.cindasc.com

- Cinda Futures Co., Ltd.

Address: 19-20/F, Tian Ren Building, 188 Liyi Road, Ningwei Street, Xiaoshan District, Hangzhou, Zhejiang

Postal code: 311215

National customer service hotline: 4006-728-728

Tel.No.: (0571) 28132666

Fax No.: (0571) 28132560

Website: www.cindaqh.com

- Cinda Fund Management Co., Ltd.

Address: 10/F, China Resources Building, No. 2666 of Keyuan South Road, Nanshan District, Shenzhen, Guangdong

Postal code: 518054

National customer service hotline: 400-8888-118, 86-755-83160160

Tel.No.: (0755) 83172666

Fax No.: (0755) 83196151

Website: www.fscinda.com

14. Branches and Major Subsidiaries

- Cinda Innovation Investment Co., Ltd.

Address: Building 1, Court 9, Naoshikou Street, Xicheng District, Beijing

Postal code: 100031

Tel.No.: (010) 63081248

- Xinfeng Investment Management Co., Ltd.

Address: Room 201-2, 2nd Floor, Building 1, Yard No. 35 Jinshifang Street, Xicheng District, Beijing

Postal code: 100032

Tel.No.: (010) 83252212

- Cinda International Holdings Limited

Address: 45th Floor, COSCO Tower, 183 Queen's Road Central, Hong Kong

Tel.No.: (00852) 22357888

Fax No.: (00852) 22357878

Website: www.cinda.com.hk

- ▲ China Jingu International Trust Co., Ltd.

Address: 10 and 11/F, Block C, Tong Tai Building, 33 Financial Street, Xicheng District, Beijing

Postal code: 100033

Tel.No.: (010) 88086816, 88088223

Fax No.: (010) 88086546

Website: www.jingustrust.com

- ▲ Cinda Financial Leasing Co., Ltd.

Address: 2/F, Tower B, East Gate Plaza, 29 Dongzhong Street, Dongcheng District, Beijing Postal code: 100027

Tel.No.: (010) 64198100

Fax No.: (010) 64159400

- ▲ China Cinda (HK) Holdings Company Limited

Address: 12/F, AIA Central, 1 Connaught Road Central, Central, Hong Kong

Tel.No.: (00852) 25276686

Fax No.: (00852) 28042135

Website: www.cindahk.com

14. Branches and Major Subsidiaries

▲Cinda Investment Co., Ltd.

Address: 16-19/F, Block C, Beijing International Building, A18 Zhongguancun South Street, Haidian District, Beijing

Postal code: 100081

Tel.No.: (010) 62157302

Fax No.: (010) 62157301

• Cinda Real Estate Co., Ltd.

Address: 8-10/F, Block A, Beijing International Building, A18 Zhongguancun South Street, Haidian District, Beijing

Postal code: 100081

Tel.No.: (010) 82190995

Fax No.: (010) 82190933

• Cinda Capital Management Co., Ltd.

Address: 4 and 6/F, Tower B, East Gate Plaza, 29 Dongzhong Street, Dongcheng District, Beijing

Postal code: 100027

Tel.No.: (010) 86376800

Fax No.: (010) 86376999

▲Zhongrun Economic Development Co., Ltd.

Address: 9/F, China Commerce Tower, 5 Sanlihe East Road, Xicheng District, Beijing

Postal code: 100045

Tel.No.: (010) 68535368

Fax No.: (010) 68535110

Note: "▲" represents a branch or a tier-one subsidiary and "•" represents a subsidiary of a tier-one subsidiary



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