Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.

This announcement and the listing document attached hereto have been published for information purposes only as required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and do not constitute an invitation or offer to acquire, purchase or subscribe for securities. Neither this announcement nor anything referred to herein (including the listing document attached hereto) forms the basis for any contract or commitment whatsoever. *For the avoidance of doubt, the publication of this announcement and the listing document attached hereto shall not be deemed to be an offer of securities made pursuant to a prospectus issued by or on behalf of the Company for the purposes of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32 of the Laws of Hong Kong) nor shall it constitute an advertisement, invitation or document containing an invitation to the public to enter into or offer to enter into an agreement to acquire, dispose of, subscribe for or underwrite securities for the purposes of the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong).*

*Neither this announcement nor any copy thereof may be released into or distributed in the United States or any other jurisdiction where such release or distribution might be unlawful. The Offshore Preference Shares and the H shares issuable upon conversion of the Offshore Preference Shares have not been and will not be registered under the U.S. Securities Act of 1933 (the "**Securities Act**") or the securities laws of any State of the United States or other jurisdiction, and the Offshore Preference Shares may not be offered or sold within the United States, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and applicable State or local securities laws. There is no intention to register any portion of any securities described herein in the United States or to conduct a public offering of securities in the United States.*

Notice to Hong Kong investors: *The Company confirms that the Offshore Preference Shares are intended for purchase by professional investors (as defined in Chapter 37 of the Listing Rules) only and have been listed on The Stock Exchange of Hong Kong Limited on that basis. Therefore, the Company confirms that the Offshore Preference Shares are not appropriate as an investment for retail investors in Hong Kong. Investors should carefully consider the risks involved.*

PUBLICATION OF OFFERING CIRCULAR ON THE STOCK EXCHANGE OF HONG KONG LIMITED

China Cinda Asset Management Co., Ltd.
中國信達資產管理股份有限公司

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

(Stock Code: 01359)

U.S.$1,700,000,000 4.40% NON-CUMULATIVE PERPETUAL OFFSHORE PREFERENCE SHARES

(Stock Code: 04621)

Joint Global Coordinators, Joint Lead Managers and Joint Bookrunners

BofA Securities	**BOCOM International**	**CCB International**	**China Merchants Securities (HK)**
China Securities International	**Cinda International**	**Guotai Junan International**	**ICBC International**
Mizuho Securities	**Nanyang Commercial Bank**	**Standard Chartered Bank**	**UBS**

Joint Lead Managers and Joint Bookrunners

ANZ	**Bank of Communications**	**BOC International**	**Chengtong Hong Kong**
China Everbright Bank Hong Kong Branch	**China International Capital Corporation**	**CLSA**	**CMBC Capital**
Deutsche Bank	**J.P. Morgan**	**SMBC Nikko**	**SPDB International**

This announcement is issued pursuant to Rule 37.39A of the Listing Rules.

Reference is made to the notice of listing of U.S.$1,700,000,000 4.40% non-cumulative perpetual offshore preference shares (the "**Offshore Preference Shares**") on The Stock Exchange of Hong Kong Limited dated November 3, 2021 published by China Cinda Asset Management Co., Ltd. (the "**Company**").

Please refer to the Offering Circular relating to the Offshore Preference Shares dated October 27, 2021 (the "**Offering Circular**") appended herein. The Offering Circular (except for TERMS AND CONDITIONS OF THE OFFSHORE PREFERENCE SHARES section) is published in English only. No Chinese version of the Offering Circular (except for TERMS AND CONDITIONS OF THE OFFSHORE PREFERENCE SHARES section) has been published. As disclosed in the Offering Circular, the Offshore Preference Shares are intended for purchase by professional investors (as defined in Chapter 37 of the Listing Rules) only.

The Offering Circular does not constitute a prospectus, notice, circular, brochure or advertisement offering to sell any securities to the public in any jurisdiction, nor is it an invitation to the public to make offers to subscribe for or purchase any securities, nor is it circulated to invite offers by the public to subscribe for or purchase any securities.

The Offering Circular must not be regarded as an inducement to subscribe for or purchase any securities of the Company, and no such inducement is intended. No investment decision should be made based on the information contained in the Offering Circular.

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

Beijing, the PRC
November 4, 2021

As at the date of this announcement, the Board of the Company consists of Mr. ZHANG Zi'ai and Mr. ZHANG Weidong as executive directors, Mr. HE Jieping, Mr. XU Long, Mr. WANG Shaoshuang, Ms. ZHANG Yuxiang, Mr. ZHANG Guoqing and Mr. LIU Chong as non-executive directors, and Mr. ZHU Wuxiang, Mr. SUN Baowen, Mr. LU Zhengfei and Mr. LAM Chi Kuen as independent non-executive directors.

APPENDIX
OFFERING CIRCULAR DATED OCTOBER 27, 2021

IMPORTANT NOTICE

HEADING: CHINA CINDA ASSET MANAGEMENT CO., LTD. (THE "COMPANY") – ISSUE OF U.S. DOLLAR NON-CUMULATIVE PERPETUAL OFFSHORE PREFERENCE SHARES (THE "OFFERING")

Dear Sir or Madam,

1 We refer to the proposed offer of the offshore preference shares referred to above (the "**Offshore Preference Shares**"), further details of which are set out in the attached offering circular dated 27 October 2021 (the "**Offering Circular**") and produced in connection with the Offering. Prospective investors are referred to the section headed "*Notice to Investors*" of the Offering Circular for further information.

2 The Offshore Preference Shares discussed in this Offering Circular are complex financial instruments with high risk and are not a suitable or appropriate investment for all investors. In some jurisdictions, regulatory authorities have adopted or published laws, regulations or guidance (the "**Regulations**") with respect to the sale or offer of securities such as the Offshore Preference Shares discussed in this Offering Circular. Potential investors in the Offshore Preference Shareholders should inform themselves of, and comply with, any applicable laws, regulations or regulatory guidance with respect to any resale of the Offshore Preference Shares (or any beneficial interests therein).

3 **PRIIPs REGULATION/Prohibition of sales to EEA retail investors** – The Offshore Preference Shares are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area ("**EEA**"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "**MiFID II**"); or (ii) a customer within the meaning of Directive (EU) 2016/97 (the "**Insurance Distribution Directive**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. Consequently no key information document required by Regulation (EU) No 1286/2014 (as amended, the "**PRIIPs Regulation**") for offering or selling the Offshore Preference Shares or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Offshore Preference Shares or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

4 **UK PRIIPs REGULATION/Prohibition of sales to UK retail investors** – The Offshore Preference Shares are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the United Kingdom (the "**UK**"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 (the "**EUWA**"); or (ii) a customer within the meaning of the provisions of the Financial Services and Markets Act 2000 (the "**FSMA**") and any rules or regulations made under the FSMA to implement the Insurance Distribution Directive, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA. Consequently no key information document required by the PRIIPs Regulation as it forms part of domestic law by virtue of the EUWA (the "**UK PRIIPs Regulation**") for offering or selling the Offshore Preference Shares or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the Offshore Preference Shares or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.

5 **MiFID II PRODUCT GOVERNANCE/Professional investors and ECPs only target market** – Solely for the purposes of the manufacturer's product approval process, the target market assessment in respect of the Offshore Preference Shares has led to the conclusion that: (i) the target market for the Offshore Preference Shares is eligible counterparties and professional clients only, each as defined in MiFID II; and (ii) all channels for distribution of the Offshore Preference Shares to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Offshore Preference Shares (a "**distributor**") should take into consideration the manufacturer's target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Offshore Preference Shares (by either adopting or refining the manufacturer's target market assessment) and determining appropriate distribution channels.

6 **Hong Kong** – Investors in Hong Kong should not purchase the Offshore Preference Shares in the primary or secondary markets unless they are professional investors (as defined in the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) and its subsidiary legislation, "**Professional Investors**") only and understand the risks involved. The Offshore Preference Shares are only suitable for Professional Investors.

7 By purchasing, making or accepting an offer to purchase, any Offshore Preference Shares (or a beneficial interest in such Offshore Preference Shares) from the Company and/or the Joint Lead Managers (as defined in the Offering Circular) and/or their respective affiliates, the prospective investors represent, warrant, agree with and undertake to the Company and each of the Joint Lead Managers and their respective affiliates that:

(1) you are not a retail client in the EEA or the UK;

(2) you will not:

(a) sell or offer the Offshore Preference Shares (or any beneficial interest therein) to retail clients in the EEA or the UK; or

(b) communicate (including the distribution of the Offering Circular or approve an invitation or inducement to participate in, acquire or underwrite the Offshore Preference Shares (or any beneficial interests therein) where that invitation or inducement is addressed to or disseminated in such a way that it is likely to be received by a retail client in the EEA or the UK;

(3) you will at all times comply with all applicable laws, regulations and regulatory guidance (whether inside or outside the EEA or the UK) relating to the promotion, offering, distribution and/or sale of the Offshore Preference Shares (or any beneficial interests therein), including (without limitation) any such laws, regulations and regulatory guidance relating to determining the appropriateness and/or suitability of an investment in the Offshore Preference Shares (or any beneficial interests therein) by investors in any relevant jurisdiction; and

(4) you further acknowledge that:

(a) the identified target market for the Offshore Preference Shares (for the purposes of the product governance obligations in MiFID II or UK MiFIR Product Governance Rules) is eligible counterparties and professional clients only; and

(b) no key information document ("**KID**") under PRIIPs Regulation or UK PRIIPs Regulation has been prepared and therefore offering or selling the Offshore Preference Shares or otherwise making them available to any retail investor in the EEA or the UK may be unlawful under PRIIPs Regulation or UK PRIIPs Regulation.

8 Where acting as agent on behalf of a disclosed or undisclosed client when purchasing, or making or accepting an offer to purchase, any Offshore Preference Shares (or any beneficial interests therein) from the Company and/or the Joint Lead Managers and/or their respective affiliates, the foregoing representations, warranties, agreements and undertakings will be given by and be binding upon both the agent and its underlying client.

9 Moreover, there are restrictions on placements of Offshore Preference Shares to connected persons under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Hong Kong Listing Rules**") and to related parties under the relevant rules issued by the China Securities Regulatory Commission. There are also certain purchase restrictions relating to additional tier 1 capital of financial asset management companies which are required by the China Banking and Insurance Regulatory Commission. Accordingly, by purchasing, or making or accepting an offer to purchase, any Offshore Preference Shares from the Company and/or the Joint Lead Managers, you represent, warrant, agree with and undertake to the Company and each of the Joint Lead Managers and their respective affiliates that you (and any person acting on your behalf as nominee or any person on whose behalf you are acting as nominee and each of such person's respective ultimate beneficial owners) and the ultimate beneficial owner of the Offshore Preference Shares:

(1) are and will be third parties prior to the completion of the purchase of the Offshore Preference Shares (i) independent of and not acting in concert (as defined under the Codes on Takeovers and Mergers and Share Buy-backs issued by the Securities and Futures Commission) with any of the directors, supervisors, chief executive or substantial shareholders of the Company or any of its subsidiaries, or any of their respective associates, (ii) independent of and not connected with the Company or the directors, supervisors, chief executive, substantial shareholders or connected persons of the Company or of any of its subsidiaries or any associates of any of them, (iii) who are not, and who will not become after completion, connected persons of the Company, (iv) whose acquisition of the Offshore Preference Shares has not been financed directly or indirectly by a connected person of the Company and (v) who are not, and who will not become accustomed to take instructions from or be directly or indirectly funded by a connected person of the Company in relation to the acquisition, disposal, voting or other disposition of securities of the Company registered in the placee's name or otherwise held by the placee. For the purposes of this paragraph, "directors" and "substantial shareholders" shall have the meanings ascribed to them in Rule 1.01 of the Hong Kong Listing Rules, and "associates" and "connected persons" shall have the meanings ascribed to them in 14A.06 of the Hong Kong Listing Rules;

(2) are not and will not be for and on behalf of the Company or an affiliate controlled by the Company or over which the Company has significant influence; and

(3) have not, directly or indirectly, been provided with any financing from the Company for the purchase of Offshore Preference Shares.

10 By purchasing or making or accepting an offer to purchase, any Offshore Preference Shares from the Company and/or Joint Lead Managers or their respective affiliates, you (or any person acting on your behalf as nominee or any person on whose behalf you are acting as nominee and each of such person's respective beneficial owners) are a Professional Investor.

11 This document is not an offer to sell or an invitation to buy any Offshore Preference Shares.

12 This document is governed by, and shall be construed in accordance with, Hong Kong law.

13 Your offer or agreement to buy any Offshore Preference Shares will be evidence of your acceptance of, or acceptance on behalf of the client for whom you are acting as an agent for, of the terms of this letter.

Yours faithfully,

Merrill Lynch (Asia Pacific) Limited, Australia and New Zealand Banking Group Limited, Bank of Communications Co., Ltd. Hong Kong Branch, BOCI Asia Limited, BOCOM International Securities Limited, CCB International Capital Limited, China Chengtong (Hong Kong) Asset Management Company Limited, China Everbright Bank Co., Ltd., Hong Kong Branch, China International Capital Corporation Hong Kong Securities Limited, China Merchants Securities (HK) Co., Limited, China Securities (International) Corporate Finance Company Limited, Cinda International Capital Limited, CLSA Limited, CMBC Securities Company Limited, Deutsche Bank AG, Hong Kong Branch, Guotai Junan Securities (Hong Kong) Limited, ICBC International Securities Limited, J.P. Morgan Securities PLC, Mizuho Securities Asia Limited, Nanyang Commercial Bank, Limited, SMBC Nikko Securities (Hong Kong) Limited, SPDB International Capital Limited, Standard Chartered Bank and UBS AG Hong Kong Branch

IMPORTANT NOTICE

NOT FOR DISTRIBUTION TO ANY PERSON OR ADDRESS DIRECTLY OR INDIRECTLY IN OR INTO THE UNITED STATES

IMPORTANT: You must read the following disclaimer before continuing. The following disclaimer applies to the attached offering circular (the "**Offering Circular**"). You are therefore advised to read this disclaimer carefully before reading, accessing or making any other use of the attached. In accessing the attached, you agree to be bound by the following terms and conditions, including any modifications to them from time to time, each time you receive any information from us as a result of such access.

Confirmation of Your Representation: You have accessed the attached document on the basis that you have confirmed your representation to China Cinda Asset Management Co., Ltd. (the "**Company**") and Merrill Lynch (Asia Pacific) Limited, Australia and New Zealand Banking Group Limited, Bank of Communications Co., Ltd. Hong Kong Branch, BOCI Asia Limited, BOCOM International Securities Limited, CCB International Capital Limited, China Chengtong (Hong Kong) Asset Management Company Limited, China Everbright Bank Co., Ltd., Hong Kong Branch, China International Capital Corporation Hong Kong Securities Limited, China Merchants Securities (HK) Co., Limited, China Securities (International) Corporate Finance Company Limited, Cinda International Capital Limited, CLSA Limited, CMBC Securities Company Limited, Deutsche Bank AG, Hong Kong Branch, Guotai Junan Securities (Hong Kong) Limited, ICBC International Securities Limited, J.P. Morgan Securities PLC, Mizuho Securities Asia Limited, Nanyang Commercial Bank, Limited, SMBC Nikko Securities (Hong Kong) Limited, SPDB International Capital Limited, Standard Chartered Bank and UBS AG Hong Kong Branch (collectively, the "**Joint Lead Managers**") that (1) you are not in the United States, the electronic mail address that you provided and to which this electronic mail has been delivered is not located in the United States and, to the extent you purchase the offshore preference shares described in the attached Offering Circular (the "**Offshore Preference Shares**"), you will be doing so pursuant to Regulation S under the U.S. Securities Act of 1933, as amended (the "**Securities Act**") and (2) you consent to delivery of the attached Offering Circular and any amendments or supplements thereto by electronic transmission.

The attached Offering Circular has been made available to you in electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of transmission and consequently none of the Company or any Joint Lead Manager or any of their respective directors, employees, representatives, advisers or affiliates accepts any liability or responsibility whatsoever in respect of any discrepancies between the document distributed to you in electronic format and the hard copy version. The Joint Lead Managers will upon request provide a hard copy version to you.

Restrictions: The attached Offering Circular is being furnished in connection with an offering exempt from registration under the Securities Act solely for the purpose of enabling a prospective investor to consider the purchase of the Offshore Preference Shares.

THE OFFSHORE PREFERENCE SHARES AND THE H SHARES ISSUABLE UPON CONVERSION OF THE OFFSHORE PREFERENCE SHARES HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE SECURITIES ACT. ACCORDINGLY, THE OFFSHORE PREFERENCE SHARES AND THE H SHARES ISSUABLE UPON CONVERSION OF THE OFFSHORE PREFERENCE SHARES ARE NOT ALLOWED TO BE OFFERED OR SOLD IN THE UNITED STATES, EXCEPT IN TRANSACTIONS WHERE RELEVANT EXEMPTION HAS BEEN OBTAINED OR THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT ARE NOT APPLICABLE. THE OFFSHORE PREFERENCE SHARES WILL BE OFFERED OUTSIDE THE UNITED STATES IN COMPLIANCE WITH REGULATION S UNDER THE SECURITIES ACT.

NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER OF OFFSHORE PREFERENCE SHARES FOR SALE IN ANY JURISDICTION WHERE IT IS UNLAWFUL TO DO SO.

Except with respect to eligible investors in jurisdictions where such offer is permitted by law, nothing in this electronic transmission constitutes an offer or an invitation by or on behalf of either the Company or any of the Joint Lead Managers to subscribe for or purchase any of the Offshore Preference Shares described therein, and access has been limited so that it shall not constitute directed selling efforts (within the meaning of Regulation S under the Securities Act) in the United States or elsewhere. If a jurisdiction requires that the offering be made by a licensed broker or dealer and any Joint Lead Manager or any affiliate of the Joint Lead Managers is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by such Joint Lead Manager or affiliate on behalf of the Company in such jurisdiction.

You are reminded that you have accessed the attached Offering Circular on the basis that you are a person into whose possession the Offering Circular may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located and you may not nor are you authorised to deliver or forward this document, electronically or otherwise, to any other person. If you have gained access to this transmission contrary to the foregoing restrictions, you will be unable to purchase any of the Offshore Preference Shares described therein.

Actions that You May Not Take: You should not reply by e-mail to this electronic transmission and you may not purchase any Offshore Preference Shares by doing so. Any reply e-mail communications, including those you generate by using the "Reply" function on your e-mail software, will be ignored or rejected.

THE ATTACHED OFFERING CIRCULAR MAY NOT BE FORWARDED OR DISTRIBUTED TO ANY OTHER PERSON AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THIS DOCUMENT IN WHOLE OR IN PART IS UNAUTHORISED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS.

You are responsible for protecting your electronic device against viruses and other destructive items. Your use of this e-mail is at your own risk and it is your responsibility to take precautions to ensure that it is free from viruses and other items of a destructive nature.

The Offshore Preference Shares discussed in the attached Offering Circular are complex financial instruments with high risk and are not a suitable or appropriate investment for all investors. In some jurisdictions, regulatory authorities have adopted or published laws, regulations or guidance with respect to the offer or sale of securities such as the Offshore Preference Shares to retail investors.

PRIIPs REGULATION/Prohibition of sales to EEA retail investors – The Offshore Preference Shares are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area ("**EEA**"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "**MiFID II**"); or (ii) a customer within the meaning of Directive (EU) 2016/97 (the "**Insurance Distribution Directive**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. Consequently no key information document required by Regulation (EU) No 1286/2014 (as amended, the "**PRIIPs Regulation**") for offering or selling the Offshore Preference Shares or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Offshore Preference Shares or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

UK PRIIPs REGULATION/Prohibition of sales to UK retail investors – The Offshore Preference Shares are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the United Kingdom (the "**UK**"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 (the "**EUWA**"); or (ii) a customer within the meaning of the provisions of the Financial Services and Markets Act 2000 (the "**FSMA**") and any rules or regulations made under the FSMA to implement the Insurance Distribution Directive, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA. Consequently no key information document required by the PRIIPs Regulation as it forms part of domestic law by virtue of the EUWA (the "**UK PRIIPs Regulation**") for offering or selling the Offshore Preference Shares or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the Offshore Preference Shares or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.

MiFID II PRODUCT GOVERNANCE/Professional investors and ECPs only target market – Solely for the purposes of the manufacturer's product approval process, the target market assessment in respect of the Offshore Preference Shares has led to the conclusion that: (i) the target market for the Offshore Preference Shares is eligible counterparties and professional clients only, each as defined in MiFID II; and (ii) all channels for distribution of the Offshore Preference Shares to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Offshore Preference Shares (a "**distributor**") should take into consideration the manufacturer's target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Offshore Preference Shares (by either adopting or refining the manufacturer's target market assessment) and determining appropriate distribution channels.

Hong Kong – Investors in Hong Kong should not purchase the Offshore Preference Shares in the primary or secondary markets unless they are professional investors (as defined in the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) and its subsidiary legislation, "**Professional Investors**") only and understand the risks involved. The Offshore Preference Shares are only suitable for Professional Investors.

中國信達資產管理股份有限公司

China Cinda Asset Management Co., Ltd.

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

(Stock Code: 01359)

U.S.$1,700,000,000 4.40 per cent. Non-Cumulative Perpetual Offshore Preference Shares (the "Offshore Preference Shares")

Issue Price for the Offshore Preference Shares: 100.00 per cent.
Par Value: RMB100 per Offshore Preference Share

The U.S.$1,700,000,000 4.40 per cent. Non-Cumulative Perpetual Offshore Preference Shares (the "**Offshore Preference Shares**") will be issued by China Cinda Asset Management Co., Ltd. (the "**Company**").

The Offshore Preference Shares will be issued as fully paid up capital in U.S. dollars so that the total issuance price of the Offshore Preference Shares will be U.S.$20 each (the "**Liquidation Preference**"). The Offshore Preference Shares will be issued in registered form and issued and transferable only in minimum amounts of U.S.$200,000 (or 10,000 Offshore Preference Shares) and integral multiples of U.S.$1,000 (or 50 Offshore Preference Shares) in excess thereof.

Upon the Winding-Up (as defined in "*Terms and Conditions of the Offshore Preference Shares*" (the "**Terms and Conditions of the Offshore Preference Shares**" or the "**Conditions**")) of the Company, Holders (as defined in the Conditions) of the Offshore Preference Shares shall rank (a) junior to holders of (i) all liabilities of the Company (including subordinated liabilities) and (ii) obligations issued or guaranteed by the Company that rank or are expressed to rank senior to the Offshore Preference Shares; (b) equally in all respects with each other and without preference among themselves and with holders of the Parity Obligations (as defined in the Conditions); and (c) in priority to the Ordinary Shareholders (as defined in the Conditions).

Subject as provided in the Conditions, each Offshore Preference Share shall entitle the Holder thereof to receive non-cumulative dividends which have not been otherwise cancelled (the "**Dividends**"). Each Dividend will be payable annually in arrear on 3 November in each year (the "**Dividend Payment Date**") after declaration by the Board of Directors of the Company and subject to certain other conditions having been met in the Conditions, and the first Dividend Payment Date will be 3 November 2022. The Offshore Preference Shares will accrue Dividends on their Liquidation Preference during the period from and including 3 November 2021 (the "**Issue Date**") and to but excluding 3 November 2026 (the "**First Reset Date**"), at the rate of 4.40 per cent. per annum, and thereafter at the relevant Reset Dividend Rate (as defined in the Conditions) thereafter, in respect of the period from and including the First Reset Date and each Reset Date (as defined in the Conditions) falling thereafter to but excluding the immediately following Reset Date. The Company may elect to cancel (in whole or in part) any Dividend otherwise scheduled to be paid on a Dividend Payment Date subject to, and in accordance with, certain specified conditions (see details in "*Terms and Conditions of the Offshore Preference Shares – Dividends – Conditions to Distribution of Dividends*").

The Offshore Preference Shares are perpetual and have no maturity date. The Company will only have the right to redeem the Offshore Preference Shares as described in "*Terms and Conditions of the Offshore Preference Shares – Redemption*". The Offshore Preference Shares are not redeemable at the option of the holders of the Offshore Preference Shares (the "**Offshore Preference Shareholders**"), and the Offshore Preference Shareholders do not have the right to put back the Offshore Preference Shares to the Company.

All payments of Liquidation Preference and/or Dividends in respect of the Offshore Preference Shares will be made free and clear of, and without withholding or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatsoever nature imposed or levied by or on behalf of the PRC (as defined herein) or any political subdivision or any authority thereof or therein having power to levy tax in the PRC, unless such withholding or deduction is required by the law of the PRC. In that event, the Company shall pay such additional amounts as will result in the receipt by the Offshore Preference Shareholders of such amounts as would have been received by them if no such withholding or deduction had been required, subject to certain exceptions and to the extent described in the "*Terms and Conditions of the Offshore Preference Shares*".

If any Trigger Event (as defined in the Conditions) occurs and subject to the conditions described in "*Terms and Conditions of the Offshore Preference Shares – Conversion*", the Company shall (having obtained the CBIRC Approval (as defined in the Conditions) but without the need for the consent of the Offshore Preference Shareholders or the Ordinary Shareholders) cancel any Dividend in respect of the Relevant Loss Absorption Amount (as defined in the Conditions) that is unpaid accrued up to and including the Conversion Date; and irrevocably and compulsorily convert with effect from the Conversion Date all or some of the Offshore Preference Shares into H Shares as described in "*Terms and Conditions of the Offshore Preference Shares – Conversion*".

Offshore Preference Shareholders shall not be entitled to convene, attend or vote at any shareholders' general meeting of the Company except in the limited circumstances as described in "*Terms and Conditions of the Offshore Preference Shares – Voting Rights*".

The "*Terms and Conditions of the Offshore Preference Shares*" is subject to, and qualified in its entirety by reference to, the Articles (as defined herein), the resolutions of the shareholders' general meeting of the Company passed on 2 February 2021 and the authorisation from the Board to the Chairman of the Board or any other person authorised by the Chairman of the Board. For a more detailed description of the Offshore Preference Shares, please see "*Terms and Conditions of the Offshore Preference Shares*".

THE OFFSHORE PREFERENCE SHARES ARE OFFERED TO PROFESSIONAL INVESTORS ONLY AND ARE ONLY SUITABLE FOR PROFESSIONAL INVESTORS. INVESTORS SHOULD NOT PURCHASE THE OFFSHORE PREFERENCE SHARES IN THE PRIMARY OR SECONDARY MARKETS UNLESS THEY ARE PROFESSIONAL INVESTORS AND UNDERSTAND UNDERLYING RISKS. OFFSHORE PREFERENCE SHARES ARE COMPLEX FINANCIAL INSTRUMENTS WITH HIGH RISK AND ARE NOT A SUITABLE OR APPROPRIATE INVESTMENT FOR ALL INVESTORS. INVESTING IN THE OFFSHORE PREFERENCE SHARES INVOLVES RISKS. SEE "RISK FACTORS" BEGINNING ON PAGE 34.

The Offshore Preference Shares and the H Shares (as defined herein) issuable upon conversion of the Offshore Preference Shares have not been, and will not be, registered under the U.S. Securities Act of 1933, as amended (the "Securities Act"). Accordingly, the Offshore Preference Shares and the H Shares issuable upon conversion of the Offshore Preference Shares are not allowed to be offered or sold in the United States, except in those transactions where relevant exemption has been obtained or the registration requirements of the Securities Act are not applicable. The Offshore Preference Shares will be offered outside the United States in compliance with Regulation S under the Securities Act ("Regulation S").

For descriptions of the restrictions mentioned above regarding the offering and selling of the Offshore Preference Shares and the distribution of this Offering Circular and certain other restrictions, please see "*Subscription and Sale*".

The Offshore Preference Shares are not intended to be initially placed and may not be initially placed to "connected persons" of the Company as defined in the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Hong Kong Listing Rules") ("Connected Persons"). Each Offshore Preference Shareholder (and the beneficial owners of the Offshore Preference Shares, if applicable) will be deemed to have represented to the Company and the Joint Lead Managers that it is not a Connected Person of the Company, and will not after completion of the subscription of the Offshore Preference Shares be a Connected Person of the Company. Each prospective investor will be deemed to have agreed with the Company and each of the Joint Lead Managers that it may, to the extent required by the Hong Kong Listing Rules and/or The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange") and/or the Hong Kong Securities and Futures Commission ("SFC"), disclose information about such prospective investor (including but not limited to its name, company registration number and the number of Offshore Preference Shares allotted to it) to certain parties. Prospective investors may refer to the section headed "*Notice to Investors*" on page 229 of this Offering Circular for further information.

An application has been made to the Hong Kong Stock Exchange for the listing of, and permission to deal in, the Offshore Preference Shares and the H Shares to be issued upon conversion, and such permission is expected to become effective on or about 4 November 2021. Listing of the Offshore Preference Shares on the Hong Kong Stock Exchange is not to be taken as an indication of the commercial merits or credit quality of the Offshore Preference Shares, the Company or quality of disclosure in this document.

Hong Kong Exchanges and Clearing Limited and the Hong Kong Stock Exchange take no responsibility for the contents of this Offering Circular, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Offering Circular. This Offering Circular includes particulars given in compliance with the Hong Kong Listing Rules for the purpose of giving information with regard to the Company. The Company confirms, having made all reasonable enquiries, that to the best of its knowledge and belief there are no other facts the omission of which would make any statement herein misleading.

The Offshore Preference Shares are expected to be rated "B1" by Moody's Investors Service Limited ("**Moody's**"). A rating is not a recommendation to buy, sell or hold the Offshore Preference Shares and may be subject to suspension, change or withdrawal at any time by the assigning rating agency. Prospective investors should evaluate independently each of the ratings of the Offshore Preference Shares or other securities of the Company.

The Offshore Preference Shares will be issued in registered form and will initially be represented by a global certificate (the "**Global Certificate**"). The Global Certificate will be registered in the name of a nominee of, and deposited on or about the Issue Date with a common depositary for, Euroclear Bank SA/NV ("**Euroclear**") and Clearstream Banking S.A. ("**Clearstream, Luxembourg**"). Beneficial interests in the Global Certificate will be shown on, and transfers thereof will be effected only through, the records maintained by Euroclear and Clearstream, Luxembourg. Unless otherwise provided in this Offering Circular, no certificate of Offshore Preference Shares will be issued in exchange of the beneficial interests of the Global Certificate.

Joint Global Coordinators, Joint Lead Managers and Joint Bookrunners

BofA Securities	**BOCOM International**	**CCB International**	**China Merchants Securities (HK)**
China Securities International	**Cinda International**	**Guotai Junan International**	**ICBC International**
Mizuho Securities	**Nanyang Commercial Bank**	**Standard Chartered Bank**	**UBS**

Joint Lead Managers and Joint Bookrunners

ANZ	**Bank of Communications**	**BOC International**	**Chengtong Hong Kong**
China Everbright Bank Hong Kong Branch	**China International Capital Corporation**	**CLSA**	**CMBC Capital**
Deutsche Bank	**J.P. Morgan**	**SMBC Nikko**	**SPDB International**

Offering Circular dated 27 October 2021

IMPORTANT NOTICE

The Company accepts full responsibility for the accuracy of the information contained in this Offering Circular. It confirms, having made all reasonable enquiries, that to the best of its knowledge and belief (i) the statements included in this Offering Circular are in every material particular true and accurate and are not misleading in the form and context in which they are included and (ii) there are no other facts in relation to the Company or the Offshore Preference Shares the omission of which would, in the context of the issue and offering of the Offshore Preference Shares, make any statement in this Offering Circular misleading in any material respect.

Prospective investors should rely only on the information contained in this Offering Circular in making their investment decision. None of the Company, Merrill Lynch (Asia Pacific) Limited, Australia and New Zealand Banking Group Limited, Bank of Communications Co., Ltd. Hong Kong Branch, BOCI Asia Limited, BOCOM International Securities Limited, CCB International Capital Limited, China Chengtong (Hong Kong) Asset Management Company Limited, China Everbright Bank Co., Ltd., Hong Kong Branch, China International Capital Corporation Hong Kong Securities Limited, China Merchants Securities (HK) Co., Limited, China Securities (International) Corporate Finance Company Limited, Cinda International Capital Limited, CLSA Limited, CMBC Securities Company Limited, Deutsche Bank AG, Hong Kong Branch, Guotai Junan Securities (Hong Kong) Limited, ICBC International Securities Limited, J.P. Morgan Securities PLC, Mizuho Securities Asia Limited, Nanyang Commercial Bank, Limited, SMBC Nikko Securities (Hong Kong) Limited, SPDB International Capital Limited, Standard Chartered Bank or UBS AG Hong Kong Branch (together, the "**Joint Lead Managers**"), or China Construction Bank (Asia) Corporation Limited (the "**Fiscal Agent**") or other agents appointed in connection with the issue of the Offshore Preference Shares (together with the Fiscal Agent, the "**Agents**") has authorised anyone to provide prospective investors with any other information.

Neither the delivery of this Offering Circular, nor any offering, sale or delivery made in connection with the issue of the Offshore Preference Shares should at any time or in any circumstances imply that the information contained in this Offering Circular is correct as of any time subsequent to the date of this Offering Circular or constitute a representation that there has been no change or development reasonably likely to involve a material adverse change in the general affairs, prospects or financial or trading position of the Company since such date.

None of the Joint Lead Managers or any of their respective affiliates have authorised the whole or any part of this Offering Circular, nor have any of them separately verified the information contained in this Offering Circular. To the fullest extent permitted by law, none of the Joint Lead Managers nor the Agents, nor any director, officer, employee, agent, adviser or affiliate of any such person, makes any representation, warranty or undertaking, express or implied, or accepts any responsibility, with respect to the accuracy or completeness of any of the information in this Offering Circular, and nothing contained in this Offering Circular is, or should be, relied upon as a promise or representation by any of the Joint Lead Managers or their directors, officers, employees, agents, advisers or affiliates. To the fullest extent permitted by law, none of the Joint Lead Managers nor the Agents, nor any director, officer, employee, agent, adviser or affiliate of any such person, accepts any responsibility for the contents of this Offering Circular or for any other statement made or purported to be made by a Joint Lead Manager or an Agent, or any director, officer, employee, agent, adviser or affiliate of any such person or on its behalf, in connection with the Company, the Group or the issue and offering of the Offshore Preference Shares.

Each of the Joint Lead Managers, the Agents and directors, officers, employees, agents, advisers and affiliates of such persons accordingly disclaims all and any liability whether arising in tort or contract or otherwise (save as referred to above) which it might otherwise have in respect of this Offering Circular or any such statement.

This Offering Circular does not constitute an offer of, or an invitation to subscribe for or purchase, any Offshore Preference Shares. This Offering Circular is not intended to provide the basis of any credit or other evaluation and should not be considered as a recommendation by the Company or the Joint Lead Managers and the Agents that any recipient of this Offering Circular should purchase any of the Offshore Preference Shares. None of the Joint Lead Managers or the Agents undertakes to review the financial condition and affairs of the Company or the Group during the life of the arrangements contemplated by this Offering Circular nor to advise any investor or prospective investor in the Offshore Preference Shares of any information coming to the attention of the Joint Lead Managers or the Agents.

Prospective investors should not construe the contents of this Offering Circular as investment, legal or tax advice and should consult with their own counsels, accountants and other advisers as to legal, tax, business, financial and related aspects of investing in and receiving the Offshore Preference Shares. Each prospective investor will be deemed to acknowledge that it has not relied on the Joint Lead Managers or any person affiliated with the Joint Lead Managers in connection with its investigation of the accuracy of the information contained in this Offering Circular, or its investment decision. Each prospective investor must rely on its own examination of the Company and its subsidiaries and the terms and conditions of the Offshore Preference Shares, including, without limitation, the merits and risks involved. Each person receiving this Offering Circular is advised to read and understand the contents of this Offering Circular, including the financial statements and the related notes hereto, before investing in the Offshore Preference Shares. If in doubt, such person should consult his or her own advisers.

None of the Offshore Preference Shareholders will have any right of claim against the Joint Lead Managers or the Agents for any losses related to, arising out of, or in connection with, any Conversion of Offshore Preference Shares into H Shares.

No offer or solicitation with respect to the Offshore Preference Shares may be made in any jurisdiction or under any circumstances where such offer or solicitation is unlawful or not properly authorised. The distribution of this Offering Circular and the offering of the Offshore Preference Shares in certain jurisdictions may be restricted by law. Persons into whose possession this Offering Circular comes are required by the Company, the Joint Lead Managers and the Agents to inform themselves about, and to observe, any such restrictions.

No action is being taken or will be taken in any jurisdiction to permit an offering to the general public of the Offshore Preference Shares or the distribution of this Offering Circular where action would be required for such purposes. For a description of certain restrictions on offers, sales and deliveries of the Offshore Preference Shares and on distribution of this Offering Circular, see the section entitled "*Subscription and Sale*" in this Offering Circular.

IN CONNECTION WITH THE ISSUE OF THE OFFSHORE PREFERENCE SHARES, ANY ONE OF THE JOINT LEAD MANAGERS APPOINTED AND ACTING IN ITS CAPACITY AS STABILISATION MANAGER (OR ANY PERSON ACTING FOR IT) (EACH A "STABILISATION MANAGER" AND COLLECTIVELY "STABILISATION MANAGERS") MAY OVER-ALLOT OFFSHORE PREFERENCE SHARES OR EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE PRICE OF THE OFFSHORE PREFERENCE SHARES AT A LEVEL HIGHER THAN THAT WHICH MIGHT OTHERWISE PREVAIL. HOWEVER, THERE IS NO ASSURANCE THAT THE STABILISATION MANAGER(S) (OR ANY PERSON ACTING ON BEHALF OF ANY STABILISATION MANAGER(S)) WILL UNDERTAKE STABILISATION ACTION. ANY STABILISATION ACTION MAY BEGIN ON OR AFTER THE DATE ON WHICH ADEQUATE PUBLIC DISCLOSURE OF THE TERMS OF THE OFFER OF THE OFFSHORE PREFERENCE SHARES IS MADE AND, IF BEGUN, MAY BE ENDED AT ANY TIME, BUT IT MUST END NO LATER THAN THE EARLIER OF 30 DAYS AFTER THE ISSUE DATE AND 60 DAYS AFTER THE DATE OF THE ALLOTMENT OF THE OFFSHORE PREFERENCE SHARES. ANY STABILISATION ACTION OR OVER-ALLOTMENT MUST BE CONDUCTED BY THE RELEVANT STABILISATION MANAGER(S) (OR ANY PERSON ACTING ON BEHALF OF ANY STABILISATION MANAGER(S)) IN ACCORDANCE WITH ALL APPLICABLE LAWS AND RULES.

RESTRICTIONS ON MARKETING AND SALES TO RETAIL INVESTORS

The Offshore Preference Shares discussed in this Offering Circular are complex financial instruments with high risk and are not a suitable or appropriate investment for all investors. In some jurisdictions, regulatory authorities have adopted or published laws, regulations or guidance (the "**Regulations**") with respect to the sale or offer of securities such as the Offshore Preference Shares. Potential investors in the Offshore Preference Shareholders should inform themselves of, and comply with, any applicable laws, regulations or regulatory guidance with respect to any resale of the Offshore Preference Shareholders (or any beneficial interests therein).

PRIIPs REGULATION/Prohibition of sales to EEA retail investors – The Offshore Preference Shares are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area ("**EEA**"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "**MiFID II**"); or (ii) a customer within the meaning of Directive (EU) 2016/97 (the "**Insurance Distribution Directive**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. Consequently no key information document required by Regulation (EU) No 1286/2014 (as amended, the "**PRIIPs Regulation**") for offering or selling the Offshore Preference Shares or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Offshore Preference Shares or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPS Regulation.

UK PRIIPs REGULATION/Prohibition of sales to UK retail investors – The Offshore Preference Shares are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the United Kingdom (the "**UK**"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 (the "**EUWA**"); or (ii) a customer within the meaning of the provisions of the Financial Services and Markets Act 2000 (the "**FSMA**") and any rules or regulations made under the FSMA to implement the Insurance Distribution Directive, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA. Consequently no key information document required by the PRIIPs Regulation as it forms part of domestic law by virtue of the EUWA (the "**UK PRIIPs Regulation**") for offering or selling the Offshore Preference Shares or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the Offshore Preference Shares or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.

MiFID II PRODUCT GOVERNANCE/Professional investors and ECPs only target market – Solely for the purposes of the manufacturer's product approval process, the target market assessment in respect of the Offshore Preference Shares has led to the conclusion that: (i) the target market for the Offshore Preference Shares is eligible counterparties and professional clients only, each as defined in MiFID II; and (ii) all channels for distribution of the Offshore Preference Shares to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Offshore Preference Shares (a "**distributor**") should take into consideration the manufacturer's target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Offshore Preference Shares (by either adopting or refining the manufacturer's target market assessment) and determining appropriate distribution channels.

Hong Kong – Investors in Hong Kong should not purchase the Offshore Preference Shares in the primary or secondary markets unless they are professional investors (as defined in the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) and its subsidiary legislation, "**Professional Investors**") only and understand the risks involved. The Offshore Preference Shares are only suitable for Professional Investors.

By purchasing, making or accepting an offer to purchase, any Offshore Preference Shares (or a beneficial interest in such Offshore Preference Shares) from the Company and/or the Joint Lead Managers and/or their respective affiliates, the respective prospective investors represent, warrant, agree with and undertake to the Company and each of the Joint Lead Managers and their respective affiliates that:

(1) you are not a retail client in the EEA (as defined in MiFID II);

(2) you are not a retail client in the UK (as defined in UK MiFIR Product Governance Rules);

(3) whether or not you are subject to the Regulations, you will not:

(a) sell or offer the Offshore Preference Shares (or any beneficial interest therein) to retail clients in the EEA or the UK; or

(b) communicate (including the distribution of the Offering Circular or approve an invitation or inducement to participate in, acquire or underwrite the Offshore Preference Shares (or any beneficial interests therein) where that invitation or inducement is addressed to or disseminated in such a way that it is likely to be received by a retail client in the EEA or the UK (in each case within the meaning of the MiFID II or UK MiFIR Product Governance Rules); and

(4) you will at all times comply with all applicable laws, regulations and regulatory guidance (whether inside or outside the EEA or the UK) relating to the promotion, offering, distribution and/or sale of the Offshore Preference Shares (or any beneficial interests therein), including (without limitation) any such laws, regulations and regulatory guidance relating to determining the appropriateness and/or suitability of an investment in the Offshore Preference Shares (or any beneficial interests therein) by investors in any relevant jurisdiction.

You further acknowledge that:

(a) the identified target market for the Offshore Preference Shares (for the purposes of the product governance obligations in MiFID II or UK MiFIR Product Governance Rules) is eligible counterparties and professional clients only; and

(b) no key information document ("**KID**") under PRIIPs Regulation or UK PRIIPs Regulation has been prepared and therefore offering or selling the Offshore Preference Shares or otherwise making them available to any retail investor in the EEA or the UK may be unlawful under PRIIPs Regulation or UK PRIIPs Regulation.

Where acting as agent on behalf of a disclosed or undisclosed client when purchasing, or making or accepting an offer to purchase, any Offshore Preference Shares (or any beneficial interests therein) from the Company and/or the Joint Lead Managers, the foregoing representations, warranties, agreements and undertakings will be given by and be binding upon both the agent and its underlying client.

CONNECTED PERSONS

The Offshore Preference Shares are not intended to be initially placed and will not be initially placed to Connected Persons. Each Offshore Preference Shareholder (and the beneficial owners of the Offshore Preference Shares, if applicable) will be deemed to have represented to the Company and each of the Joint Lead Managers and their respective affiliates that it is not a Connected Person of the Company, and will not after completion of the subscription of the Offshore Preference Shares be a Connected Person of the Company. Each prospective investor will be deemed to have agreed with the Company, each of the Joint Lead Managers and their affiliates that it may, to the extent required by the Hong Kong Listing Rules and/or the Hong Kong Stock Exchange and/or the SFC, disclose information about such prospective investor (including but not limited to its name, company registration number and the number of Offshore Preference Shares allotted to it) to certain parties.

Where acting as agent on behalf of a disclosed or undisclosed client when purchasing, or making or accepting an offer to purchase, any Offshore Preference Share (or any beneficial interests therein) from the Company and/or the Joint Lead Managers and their respective affiliates, the foregoing representations, warranties, agreements and undertakings will be given by and be binding upon both the agent and its underlying client.

***Singapore SFA Product Classification** – In connection with Section 309B of the Securities and Futures Act (Chapter 289) of Singapore (the "**SFA**") and the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore (the "**CMP Regulations 2018**"), the Company has determined, and hereby notifies all relevant persons (as defined in Section 309A(1) of the SFA), that the Offshore Preference Shares are 'prescribed capital markets products' (as defined in the CMP Regulations 2018) and are Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).*

PRESENTATION OF FINANCIAL INFORMATION

This Offering Circular contains the audited consolidated financial statements of the Group as at and for the years ended 31 December 2019 and 2020. Such audited financial statements were prepared in accordance with the International Financial Reporting Standards ("**IFRS**") issued by the International Accounting Standards Board (the "**IASB**").

The audited consolidated financial statements of the Group as at and for the years ended 31 December 2019 and 2020 have been audited by Ernst & Young, Certified Public Accountants ("**Ernst & Young**") and extracted from the 2019 and 2020 annual reports as published by the Company.

This Offering Circular contains the unaudited but reviewed interim condensed consolidated financial statements of the Group as at and for the six months ended 30 June 2021 (the "**2021 Interim Financial Statements**"). Such financial statements were prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting" ("**IAS 34**") issued by the IASB.

The interim condensed consolidated financial statements of the Group have been reviewed by Ernst & Young and extracted from the 2021 interim report as published by the Company.

As the 2021 Interim Financial Statements have not been audited by any independent auditors, they should not be relied upon by potential investors to provide the same quality of information associated with information that has been subject to an audit. None of the Joint Lead Managers or the Agents nor any of their respective directors, employees, representatives, affiliates and advisers makes any representation or warranty, express or implied, regarding the accuracy, completeness and sufficiency of such consolidated financial statements of the Group for an assessment of, and potential investors must exercise caution when using such data to evaluate, the Company's or the Group's financial condition and results of operations. Such 2021 Interim Financial Statements should not be taken as an indication of the expected financial condition and results of operations of the Company or the Group for the full financial year ending 31 December 2021.

Unless otherwise stated, all financial data contained herein which is stated as relating to the Company are referring to the consolidated data of the Group.

EXCHANGE RATE INFORMATION

In this Offering Circular, unless otherwise specified or the context otherwise requires, references to "U.S.$", "USD" and "U.S. dollars" are to the lawful currency of the United States of America; references to "Renminbi", "RMB" or "CNY" are to the lawful currency of the PRC; and references to "Hong Kong dollars", "HK dollars", "HK$" or "HKD" are to the lawful currency of Hong Kong.

For prospective investors' convenience and the consistence of presentation only, this Offering Circular contains translations of certain amounts in RMB into U.S. dollars. Unless otherwise specified, the exchange rate is RMB6.46 to U.S.$1.00. Such exchange rate is based on the middle price of RMB exchange rate announced by the People's Bank of China ("**PBOC**") on 30 June 2021. The conversion shall not be regarded as the representation made for the actual conversion from RMB accounts to USD accounts at such exchange rate and *vice versa*.

ROUNDING

In this Offering Circular, certain data may have been rounded up or down. Accordingly, totals of columns or rows of numbers in tables may not be equal to the apparent total of the individual items and actual numbers may differ from those contained herein due to rounding.

LANGUAGE

The articles of association of the Company (the "**Articles**") and the Terms and Conditions of the Offshore Preference Shares (the "**Conditions**") are written in Chinese. In the event of any inconsistency between (i) on the one hand, the Articles and the Conditions in Chinese and (ii) on the other hand, any translations of the Articles and the Conditions in other languages, the Chinese version of the Articles and the Conditions shall prevail. In addition, in the event of any inconsistency between the Articles and the Conditions, the Articles shall prevail. None of the Offshore Preference Shareholders will have any right of claim against any of the Joint Lead Managers or the Agents nor any director, officer, employee, agent, adviser or affiliate of any such person for losses related to, arising out of, or in connection with, any error or inaccuracy in any translation into English from the Chinese language Articles and/or the Conditions. For the Chinese version of the Conditions, please see "*Appendix – Terms and Conditions of the Offshore Preference Shares (Chinese version)*" to this Offering Circular.

FORWARD-LOOKING STATEMENTS

This Offering Circular includes forward-looking statements. All statements other than statements of historical facts contained in this Offering Circular, including, without limitation, those regarding our future financial position, our strategies, plans, objectives, goals, targets and future developments in the markets where we participate or are seeking to participate, and any statements preceded by, followed by or that include the words "believe," "expect," "estimate," "predict," "aim," "intend," "will," "may," "plan," "consider," "anticipate," "seek," "should," "could," "would," "continue," or similar expressions or the negative thereof, are forward-looking statements. These forward-looking statements involve known and unknown risks, uncertainties and other factors, some of which are beyond our control, which may cause our actual results, performance or achievements, or industry results, to be materially different from any future results, performance or achievement expressed or implied by the forward-looking statements. These forward-looking statements are based on many assumptions regarding our present and future business strategies and the environment in which we will operate in the future. Important factors that could cause our actual performance or achievements to differ materially from those in the forward-looking statements include, among other things, the following:

- our ability to successfully implement our business plans and strategies;
- future developments, trends and conditions in the industry and markers in which we operate;
- our business prospects;
- our capital expenditure plans;
- the actions and developments of our competitors;
- our financial condition and performance;
- capital market development;
- our dividend policy;
- any changes in the laws, rules and regulations of the central and local governments in the PRC and other relevant jurisdictions and the rules, regulations and policies of the relevant, governmental authorities relating to all aspects of our business;
- general political and economic conditions, including those related to the PRC;
- changes or volatility in interest rates, foreign exchange rates, equity prices or other rates or prices, including those pertaining to the PRC and the industry and markets in which we operate;
- various business opportunities that we may pursue;
- macroeconomic measures taken by the PRC government to manage economic growth; and
- changes in the global economic conditions and material volatility in the global financial markets.

Additional factors that could cause actual performance or achievements to differ materially include, but are not limited to, those discussed in "*Risk Factors*" and elsewhere in this Offering Circular. Prospective investors shall not to place undue reliance on these forward-looking statements, which reflect our management's view only as of the date of this Offering Circular. We undertake no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. In light of these risks, uncertainties and assumptions, the forward-looking events discussed in this Offering Circular might not occur. All forward-looking statements contained in this Offering Circular are qualified by reference to the cautionary statements set out in this section.

TABLE OF CONTENTS

DEFINITIONS

In this Offering Circular, unless the context otherwise requires, the following terms shall have the meanings set out below.

Additional Tier 1 Capital	has the meaning as defined in, or construed in accordance with, the Capital Management Measures for Financial Asset Management Companies (Provisional) issued by the former China Banking Regulatory Commission on 26 December 2017, which became effective on 1 January 2018 (as amended from time to time)
Agents	the Fiscal Agent, the Registrar, the Calculation Agent, the Paying Agents and the Transfer Agents and any other agent or agents appointed from time to time in respect of the Offshore Preference Shares pursuant to the Fiscal Agency Agreement
Alternative Clearing System	any other alternative clearing system other than Euroclear and Clearstream, Luxembourg
AMC(s)	the asset management company(ies), but not limited to, those approved for establishment by the State Council, including Cinda, China Huarong Asset Management Co., Ltd., or Huarong, China Great Wall Asset Management Corporation, or Great Wall, China Orient Asset Management Corporation, or Orient and China Galaxy Asset Management Co., Ltd. or Galaxy
Amended Foreign Exchange Control Regulations	the amended Regulations of the PRC for Foreign Exchange Control (中華人民共和國外匯管理條例) promulgated by the State Council on 5 August 2008
Articles	the articles of association of the Company
Banking Ordinance	the Banking Ordinance (Cap. 155) of Hong Kong
Board	the board of directors of the Company
BOC	Bank of China Ltd. (中國銀行股份有限公司)
BoCOM	Bank of Communications Co., Ltd. (交通銀行股份有限公司)
CBRC	the former China Banking Regulatory Commission or any successor entity, currently known as CBIRC
CBIRC	China Banking and Insurance Regulatory Commission (中國銀行保險監督管理委員會), a regulatory authority formed via the merger of the CBRC and CIRC according to the Notice of the State Council regarding the Establishment of Organisations (國務院關於機構設置的通知) (Guo Fa [2018] No. 6) issued by the State Council on 24 March 2018, and, if the context requires, includes its predecessors or any successor entity

CCB	China Construction Bank Corporation (中國建設銀行股份有限公司)
CDB	China Development Bank Corporation (國家開發銀行股份有限公司)
Cinda Capital	Cinda Capital Management Co., Ltd. (信達資本管理有限公司), a limited company incorporated in the PRC and a subsidiary of the Company
Cinda Corporation	China Cinda Asset Management Corporation (中國信達資產管理公司), the predecessor of Cinda, a limited company incorporated in the PRC
Cinda Futures	Cinda Futures Co., Ltd., a limited company incorporated in the PRC, in which we indirectly hold a 100 per cent. equity interest
Cinda HK	China Cinda (HK) Holdings Company Limited
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. (信達投資有限公司), a limited company incorporated in the PRC and we directly hold a 100 per cent. equity interest
Cinda Leasing	Cinda Financial Leasing Co., Ltd. (信達金融租賃有限公司), a limited company incorporated in the PRC and a subsidiary of the Company
Cinda P&C	Cinda Property and Casualty Insurance Co., Ltd. (which has changed its name to Guoren Property and Casualty Insurance Co., Ltd.), previously a subsidiary of the Company. The Company has completed to transfer 1.23 billion shares held in Cinda P&C upon approval
Cinda Real Estate	Cinda Real Estate Co., Ltd.
Cinda Securities	Cinda Securities Co., Ltd. (信達證券股份有限公司), a limited company incorporated in the PRC and a subsidiary of Cinda
CIRC	the former China Insurance Regulatory Commission, currently known as CBIRC
Clearstream, Luxembourg	Clearstream Banking S.A.
Company Law	the Company Law of the PRC (中華人民共和國公司法)

Company or **Issuer**	China Cinda Asset Management Co., Ltd.
Company Branches	the branches of the Company
Connected Persons	has the meaning given to it in the Hong Kong Listing Rules
CSRC	the China Securities Regulatory Commission or any successor entity
Domestic Shares	The domestic shares of the Company
EIT Law	the Enterprise Income Tax Law of the PRC (中華人民共和國企業所得稅法) promulgated by the National People's Congress of the PRC on 16 March 2007, which became effective on 1 January 2008
Euroclear	Euroclear Bank SA/NV
FATCA	Internal Revenue Code, Sections 1471-1474
FCA	the UK Financial Conduct Authority
First Reset Date	3 November 2026
First State Cinda Fund	First State Cinda Fund Management Co., Ltd. (信達澳銀基金管理有限公司), a limited company incorporated in the PRC and a subsidiary of Cinda
Fiscal Agency Agreement	the fiscal agency agreement in respect of the Offshore Preference Shares to be entered into between the Company, China Construction Bank (Asia) Corporation Limited as fiscal agent, paying agent and calculation agent, China Construction Bank (Asia) Corporation Limited. as registrar and transfer agent and the other paying and transfer agents named in it on or around 3 November 2021
Fiscal Agent	China Construction Bank (Asia) Corporation Limited
Foreign Exchange Control Regulations	the Regulations of the PRC for Foreign Exchange Control (中華人民共和國外匯管理條例) promulgated by the State Council on 29 January 1996, which became effective on 1 April 1996 and was subsequently amended on 14 January 1997 and 1 August 2008
Four AMCs	Cinda, Huarong, Great Wall and Orient, collectively
Five AMCs	Cinda, Huarong, Great Wall, Orient and Galaxy, collectively
FSMA	the Financial Services and Markets Act 2000 of the United Kingdom

GDP	gross domestic product
Global Certificate	the global certificate representing the Offshore Preference Shares which will be registered in the name of a nominee of, and deposited with a common depositary for, Euroclear and Clearstream, Luxembourg
Group, **our Group**, **we** or **us**	unless the context otherwise requires, China Cinda Asset Management Co., Ltd. and its subsidiaries
Head Office	the head office of the Company
HKMA	the Hong Kong Monetary Authority
H Shareholders	the holders of the H Shares
H Shares	overseas listed foreign share(s) of par value RMB1.00 each in the share capital of the Company, which are listed on the Hong Kong Stock Exchange under the stock code 1359 and traded in Hong Kong dollars
Hong Kong	the Hong Kong Special Administrative Region of the PRC
Hong Kong dollars, **HK dollars**, **HK$** or **HKD**	the lawful currency of Hong Kong
Hong Kong Listing Rules	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
Hong Kong Stock Exchange	The Stock Exchange of Hong Kong Limited
IAS	International Accounting Standards and their interpretations
IASB	International Accounting Standards Board
ICBC	Industrial and Commercial Bank of China Co., Ltd. (中國工商銀行股份有限公司)
IFRS	International Financial Reporting Standards promulgated by the IASB, which include IAS
IIT Law	the Individual Income Tax Law of the PRC (中華人民共和國個人所得稅法)
Happy Life	Happy Life Insurance Co., Ltd., a former subsidiary of the Company. As approved at the annual general meeting for 2018 and by the CBIRC, the Company has transferred all of its 50.995 per cent. equity interests in Happy Life. As of December 31, 2020, Happy Life was no longer a subsidiary of the Company

Jingu Trust	China Jingu International Trust Co., Ltd. (中國金穀國際信託有限責任公司), a limited company incorporated in the PRC and a subsidiary of the Company
Joint Lead Managers	Merrill Lynch (Asia Pacific) Limited, Australia and New Zealand Banking Group Limited, Bank of Communications Co., Ltd. Hong Kong Branch, BOCI Asia Limited, BOCOM International Securities Limited, CCB International Capital Limited, China Chengtong (Hong Kong) Asset Management Company Limited, China Everbright Bank Co., Ltd., Hong Kong Branch, China International Capital Corporation Hong Kong Securities Limited, China Merchants Securities (HK) Co., Limited, China Securities (International) Corporate Finance Company Limited, Cinda International Capital Limited, CLSA Limited, CMBC Securities Company Limited, Deutsche Bank AG, Hong Kong Branch, Guotai Junan Securities (Hong Kong) Limited, ICBC International Securities Limited, J.P. Morgan Securities PLC, Mizuho Securities Asia Limited, Nanyang Commercial Bank, Limited, SMBC Nikko Securities (Hong Kong) Limited, SPDB International Capital Limited, Standard Chartered Bank and UBS AG Hong Kong Branch
MHRSS	the Ministry of Human Resources and Social Security of the PRC
MiFID	the Markets in Financial Instruments Directive (2004/39/EC)
MOF	the Ministry of Finance of the PRC
MOFCOM	the Ministry of Commerce of the PRC
Moody's	Moody's Investor Services Limited
NAO	National Audit Office of the PRC
New Financial Instrument Standards	the Accounting Standards for Business Enterprises No. 22 – Recognition and Measurement of Financial Instruments, Accounting Standards for Business Enterprises No. 23 – Transfer of Financial Instruments, Accounting Standards for Business Enterprises No. 24 – Hedge Accounting and Accounting Standard for Business Enterprises No. 37 which were revised and promulgated by the MOF in 2017
NCB	Nanyang Commercial Bank, Limited and its subsidiaries
NCB China	Nanyang Commercial Bank (China) Limited, incorporated in the PRC and a wholly-owned subsidiary of NCB

NCB Hong Kong	Nanyang Commercial Bank, Limited, a company incorporated in Hong Kong and a licensed bank in Hong Kong, a subsidiary of the Company
NCSSF	National Council for Social Security Fund, PRC
NDRC	National Development and Reform Commission of the PRC
NPL(s)	Non-Performing Loan(s)
OFAC	the U.S. Treasury Department's Office of Foreign Assets Control
Offshore Preference Shareholders	holders of any Offshore Preference Shares
Offshore Preference Shares	the U.S.$1,700,000,000 4.40 per cent. Non-Cumulative Perpetual Offshore Preference Shares to be issued by the Company outside the PRC to investors on or about the Issue Date
Offshore Preference Shares Deed of Covenant	the deed of covenant in respect of the Offshore Preference Shares entered into by the Company
Ordinary Shares	the H Shares and the Domestic Shares and any other class of ordinary shares of the Company from time to time
PBOC	the People's Bank of China
PRC	the People's Republic of China, excluding, for the purposes of this Offering Circular, Hong Kong, the Macau Special Administrative Region of the PRC, or Macau, and the region of Taiwan
QDII	Qualified Domestic Institutional Investors
QFII	Qualified Foreign Institutional Investors
Regulation S	Regulation S under the Securities Act
Renminbi, **RMB** or **CNY**	the lawful currency of the PRC
RQFII	RMB Qualified Foreign Institutional Investors
SAFE	the State Administration of Foreign Exchange of the PRC
SAIC	the former State Administration for Industry and Commerce of the PRC. According to the Notice of the State Council on the Setup of Institutions (Guo Fa [2018] No.6) (《國務院關於機構設置的通知》) (國發[2018]6號) published by the State Council on 24 March 2018, its duties were consolidated to the State Administration for Market Regulation of the PRC
SASAC	the State-owned Assets Supervision and Administration Commission of the State Council

SETC	the State Economic and Trade Commission of the PRC
STA	the State Taxation Administration of the PRC
Securities Act	the U.S. Securities Act of 1933, as amended
Securities Law	the Securities Law of the PRC (中華人民共和國證券法)
SFA	the Securities and Futures Act, Chapter 289 of Singapore
SFC	the Hong Kong Securities and Futures Commission
SFO	the Securities and Futures Ordinance of Hong Kong (Chapter 571, as amended)
Shareholders	unless the context otherwise requires, the H Shareholders and holders of Domestic Shares of the Company
Special Resolution	the resolution in which case the Offshore Preference Shareholders will be entitled to attend and vote only upon such resolution
SOE(s)	State-owned enterprise(s)
Stabilisation Manager	each of the Joint Lead Managers appointed and acting in its capacity as a stabilisation manager (or any person acting for it)
State Council	the PRC State Council
Strategic Investor(s)	the strategic investor(s) of the Company, including the National Council for Social Security Fund of the PRC, or NCSSF, UBS AG, or UBS, CITIC Capital Holdings Limited, or CITIC Capital, and Standard Chartered Bank
Subscription Agreement	the subscription agreement in respect of the Offshore Preference Shares entered into between the Company and the Joint Lead Managers on or around 27 October 2021
Supreme People's Court	the Supreme People's Court of the PRC
Terms and Conditions of the Offshore Preference Shares or **Conditions**	Terms and Conditions of the Offshore Preference Shares
U.S. or **United States**	the United States of America, its territories and possessions, any State of the United States, and the District of Columbia
US Dollar, **USD** or **U.S.$**	the lawful currency of the United States of America
Zhongrun Development	Zhongrun Economic Development Co., Ltd., a subsidiary of the Company

GLOSSARY OF TECHNICAL TERMS

This glossary of technical terms contains explanations of certain technical terms used in this Offering Circular in connection with our Group and our business. These terms and their meanings may not correspond to standard industry meanings or usage of these terms.

"**Acquisition-operation Distressed Assets**"	distressed assets acquired, managed and disposed of through Acquisition-operation Model
"**Acquisition-operation Model**"	a business model of distressed debt assets operation by applying appropriate management strategies and multiple disposal methods to maximise the value of assets we acquired from financial institutions and non-financial institutions
"**assets in satisfaction of debt**"	primarily including foreclosed assets and other assets to discharge debt repayment obligations of the obligors
"**AUM**"	assets under management
"**Cash Recovery Ratio**"	one of the two performance evaluation benchmarks determined by the MOF applicable to Policy Distressed Assets business of the Five AMCs. It represents the ratio of the amount of cash recovered from disposal of distressed assets to the Original Value of distressed assets
"**coverage ratio**"	allowance for impairment losses of the credit assets divided by impaired loans
"**debt-to-equity swap(s)**" or "**DES**"	the practice of converting indebtedness owed by the obligors to their equity
"**DES Assets**"	assets that include (i) the equity assets that the Company acquired as a result of government mandated equity swaps of distressed debt assets of a number of medium and large SOEs prior to our restructuring; (ii) additional equities of the aforementioned enterprises the Company subsequently acquired as part of asset packages we purchased; (iii) additional investments by the Company in the aforementioned companies; (iv) equities the Company received in satisfaction of debt and assets the Company acquired through DES transactions on our own initiative; and (v) the equity portfolio Cinda Corporation received as part of our share capital when we were established in 1999. DES Assets are accounted for as available-for-sale financial assets or interests in associates
"**DES Companies**"	the companies and enterprises whose distressed indebtedness held by the AMCs were swapped for equity

"**distressed assets**"	including, but not limited to, distressed debt assets, DES assets, assets in satisfaction of debt and distressed entities
"**distressed debt assets**"	primarily including loans, accounts receivables and other credit obligations and securities which are overdue, over the near term expected to be overdue or those the obligors have or expected to have difficulties in repaying
"**Distressed Entities**"	enterprises and other entities that are in a distressed situation ranging from temporary financial and/or operational issues, to those in liquidation procedures. These entities typically need restructuring, liquidation, M&A, financing and other customised financial solution
"**Expense Ratio**"	one of the two performance evaluation benchmarks determined by the MOF applicable to Policy Distressed Assets business of the Five AMCs. It represents the ratio of the amount of expenses involved in the disposal of distressed assets to the total amount of cash recovered. These expenses primarily include those relating to remuneration, general administration and business expenses
"**FI Distressed Assets**"	distressed assets acquired from banks and non-bank financial institutions
"**five-category loan classification system**"	a loan classification system generally adopted by banks and other financial institutions in China pursuant to applicable guidelines. It classifies loans into five categories as "normal", "special mention", "substandard", "doubtful" and "loss" based on assessment of various factors affecting obligors' repayment ability
"**funds transfer pricing**"	a process typically used by a bank to measure the performance of its different business units, under which a treasury or central office is created to manage and oversee internal fund-raising and lending. The fund-raising units raise funds from the market at a particular rate and lend the same to the central office at a higher rate; all the lending units borrow the funds from the central office at a particular rate and lend the same to the borrowers at a higher rate. The central office rate is notional in nature and is aligned to market conditions. Thus for all the units there are two rates available to measure the performance. For a deposit-raising unit the difference between interest paid to the deposit-holders and interest receivable from central office is the contribution to the bank's profitability. For a lending division the difference between Interest payable to central office and the interest received from the borrowers is the contribution to the bank's performance
"**gross amount**"	gross amount of a financial asset is the amount before deduction of any accumulated impairment losses

"**Interpretation No. 2**"	The Interpretation No. 2 to New China Accounting Standards (企業會計準則解釋第2號) issued by the MOF on 7 August 2008; the Provisions on the Accounting Treatment on Insurance Contracts (保險合同相關會計處理規定) issued by the MOF on 22 December 2009; the Announcement of Implementation of Interpretation No. 2 to New China Accounting Standards (關於保險業實施《企業會計準則解釋第2號》有關事項的通知) issued by the CIRC on 5 January 2009; the Announcement of Further Implementation of Interpretation No. 2 to New China Accounting Standards (關於保險業做好《企業會計準則解釋第2號》實施工作的通知) issued by the CIRC on 25 January 2010 and other related regulations
"**IPO**"	initial public offering
"**IRR**"	internal rate of return, the discount rate that makes the net present value of all cash flows from a particular project equal to zero
"**life and health insurance**"	all insurance business operated by a life and health insurance company, such as life, annuity, health and accident insurance, except where the content otherwise requires
"**Listed DES Assets**"	listed shares of the DES Companies
"**M&A**"	mergers and acquisitions
"**mezzanine financing**"	a hybrid of debt and equity financing
"**net capital**"	equals net assets minus risk-adjusted financial assets minus other risk-adjusted assets and contingent liability plus/minus other adjustments recognised or approved by the relevant regulatory authorities
"**NFE Distressed Assets**"	distressed assets acquired from non-financial enterprises, which include but not limited to accounts receivable of non-financial enterprises and assets of non-financial enterprises whose actual returns are less than expected returns
"**non-performing loan(s)**" or "**NPL(s)**"	loan(s) classified as substandard, doubtful or loss under the five-category loan classification system (as applicable) adopted by financial institutions pursuant to applicable PRC guidelines
"**Original Value**"	the original principal amount of and interests accrued (as applicable) on distressed assets on the books of the selling parties, without taking into account any impairment or value reduction resulting from default or other events

"**Policy Distressed Assets**"	the distressed assets acquired by the Five AMCs as directed by the PRC government on a policy basis, where both the price for and financing of distressed asset acquisitions were determined or arranged by the government. Losses incurred by the Five AMCs from acquisition and disposal of Policy Distressed Assets were handled in a manner as proposed by the MOF and approved by the State Council
"**reinsurance**"	the practice of sharing or spreading of an insured risk of an insurer, or the reinsured, by ceding part of the risk to another insurer, or the reinsurer. The reinsurer, in consideration of a premium paid to it, agrees to indemnify the reinsured for part or all of the liability assumed by the reinsured under a contract or contracts of insurance which the reinsured has issued
"**Restructured Distressed Assets**"	distressed assets acquired, managed and disposed of through Restructuring Model
"**Restructuring Model**"	a business model of distressed debt assets operation by reaching restructuring agreements with the creditor and debtor at the same time of the acquisition of the distressed assets
"**solvency**"	the ability of an insurance company to satisfy its policyholder benefits and claims obligations
"**solvency margin ratio**"	the ratio of an insurer's actual capital to its minimum capital
"**surrender**"	the termination of an insurance contract at the request of the policyholder after which the policyholder receives the cash surrender value, if any, of the contract
"**targeted asset management**"	a type of special investment vehicle for annuity plans, the NCSSF, other institutional investors and high-net-worth individuals
"**Unlisted DES Assets**"	unlisted shares of the DES Companies

SUMMARY

OVERVIEW

We are a leading AMC in China. We focus on distressed asset management and provide customised financial solutions to our clients through the synergistic operation of our diversified business platforms. As of 31 December 2018, 2019 and 2020 and 30 June 2021, our total assets were RMB1,495,759.2 million, RMB1,513,230.0 million, RMB1,518,083.6 million and RMB1,604,243.4 million, respectively; and our total equity were RMB178,568.5 million, RMB188,410.5 million, RMB195,042.4 million and RMB195,834.7 million, respectively.

We were the first AMC approved for establishment by the State Council. As a result of our distressed asset management capabilities, business performance, innovation and brand, we have achieved many industry milestones. Among the Five AMCs:

- We were the first AMC to convert into a joint stock company as approved by the State Council, which effectively drove the market-oriented transformation of the entire industry.

- We are the first AMC to introduce strategic investors and complete its initial public offering, which has diversified our equity capital sources and enhanced our corporate governance.

- We were the first AMC to obtain distressed assets of large state-owned commercial banks and joint-stock commercial banks by way of competitive bidding and structured transactions, thereby making us a pioneer amongst financial assets management companies in creating a market-oriented approach to acquire distressed assets of banks.

- We were the first AMC approved by the former CBRC to acquire NFE Distressed Assets on a pilot scheme, which has further expanded the scope of our distressed asset management business and enhanced our sustainable business growth model.

- We were the first AMC to obtain domestic and overseas banking licences and achieve the business layout as a diversified financial group covering both domestic and overseas markets.

We have leading capabilities in acquiring, managing and disposing distressed assets and we are the leader of China's distressed asset management industry in terms of business performance, business scale and capability in cash recovery.

Our principal business segments include distressed asset management and financial services. Distressed asset management is our core business. We have leading capabilities in acquiring, managing and disposing distressed assets. On the basis that we are performing well on the disposal and recovery of distressed assets, following the principals of "relative concentration, focusing on core business", we actively explore diversified financial service businesses that have market needs and gradually formed a diverse business pattern with disposal of distressed assets as our main business which are operating synergically with other business platforms such as banking, securities, funds, trusts and financial leasing.

For the years ended 31 December 2018, 2019 and 2020 and for the six months ended 30 June 2020 and 2021, our total income amounted to RMB98,103.4 million, RMB96,146.9 million, RMB100,134.0 million, RMB45,819.9 million and RMB41,401.6 million, respectively; and the profit attributable to equity holders of the Company amounted to RMB12,036.1 million, RMB13,052.9 million, RMB13,247.9 million, RMB6,340.7 million and RMB6,687.4 million, respectively.

We have 33 Company Branches (including Hefei Operation Support Centre) in 30 provinces, autonomous regions and municipalities in mainland China and 7 subsidiaries as platforms for providing distressed asset management and financial services in mainland China and Hong Kong. We formed a nationwide business network and have also entered into strategic cooperation agreements with numerous local governments, financial institutions, enterprises and other entities. Under the unified management of the Group, our diversified business platforms share the business network and these strategic clients, providing a solid base for both the independent business development of each subsidiary and synergic business development across subsidiaries. We leverage our diversified business platforms to provide customised financial solutions to meet the demand for diversified services from clients of our distressed asset management business. At the same time, our subsidiaries compete with other market participants in their respective industries on a differentiated basis by leveraging the Group's strengths in the distressed asset management business to develop their business. In 2016, the Group acquired NCB to further enrich and enhance its business model and improve the comprehensive and personalised services of the Group, generate greater synergies for the Group and push forward the future development of the Group to the next level by developing NCB into an important platform for the Group's integrated financial services, account management, and cross-selling, with an aim to further boost the development of the Group.

RECENT DEVELOPMENTS

COVID-19 Impact and Response

Since the outbreak of COVID-19 from the end of 2019, many countries, regions in the world and the global economy have been impacted and uncertainties in the macroeconomic conditions increased. In 2020, faced with the complex external situation and the impact of the COVID-19, we fully implemented the high-quality development concept of "professional operation, efficiency first, value creation". We focused on our main responsibilities and principal businesses. To defuse financial risks and serve the real economy, we consolidated our existing business advantages, strengthened customer and market development, vigorously promoted business innovation and transformation, strictly guarded the bottom line of risks, speeded up asset turnover and calmly coped with internal and external challenges to ensure the stable and long-term operation of the Company. We also actively explored businesses opportunities in corporate structural adjustment, liquidity assistance, risk alleviation, anti-pandemic relief and other fields.

Since 2021, the world economy has experienced sound recovery generally, but with significant differences. The control and vaccination against COVID-19 remain the major factors affecting economic recovery. The economic activities in China have resumed to normal due to effective pandemic control and the speeded vaccination. In the first half of 2021, China's economy showed strong resilience, with its GDP growing by 12.7% year on year and 5.3% on a two-year average basis.

In 2021, we will continue to give top priority to the safety and health of our employees and strictly implement the requirements of central and local governments for pandemic prevention and control. We will continue to proactively take social responsibilities in defusing risks, serving the real economy, fighting against the COVID-19 pandemic and promoting poverty alleviation and to overcome the difficult times with our employees, our clients and the whole society together. For further information, please refer to the following risk factors in the section "*Risk Factors – Risks relating to the Financial Industry in China – Fluctuations in the macroeconomic and market conditions could materially and adversely affect our business*." and "*Risk Factors – Risks relating to the PRC – Natural disasters, epidemics, acts of war or terrorism or other factors beyond our control may have a material adverse effect on our business operations, financial condition and results of operations*."

Issuance of Undated Additional Tier 1 Capital Bonds in the Onshore Market

The Company considered and approved the proposal on the issuance of onshore undated capital bonds in an amount not exceeding RMB22 billion on the 2020 second extraordinary general meeting held on 22 December 2020 and received relevant approvals from the CBIRC and the PBOC on such issuance. On 16 August 2021, the Company completed the issuance of RMB10 billion undated additional tier 1 capital bonds in China's national inter-bank bond market.

Potential Investment in Huarong

The Company announced on 18 August 2021 that it entered into a non-legally binding framework agreement with Huarong on 18 August 2021, pursuant to which, the Company would subscribe for the new shares of Huarong as one of the investors. This investment is a financial investment.

Through this investment, the Company will strengthen its co-operation with the restructured Huarong to further optimise the eco-system of the distressed asset management industry and consolidate and strengthen the core competitive advantages of the Company's principal businesses. If the investment is implemented, it may constitute a disclosable transaction of the Company under the Hong Kong Listing Rules. As at the date of this Offering Circular, the Company has not entered into any legally binding agreement in relation to the investment, nor will it guarantee that the transaction will be finally implemented. When the key terms for the investment are determined, the Company will make a separate announcement in due course or as required in accordance with the Hong Kong Listing Rules and Part XIVA of the SFO and comply with the applicable regulatory requirements. As at the date of this Offering Circular, Huarong is a third party independent from the Company and its connected persons.

In addition, the investment may have to be tabled at the shareholders' general meeting of the Company for approval according to the Articles of the Company. The investment is also subject to the approval and consent of the relevant government authorities in accordance with applicable laws. *As the Company may or may not proceed with the investment and the investment may or may not be proceeded for various reasons, potential investors are advised to exercise caution when dealing in the securities of the Company*.

OUR STRENGTHS

We believe we possess the following strengths:

- As the pioneer and the leader of China's distressed asset management industry, we play a unique role in China's economy and are well positioned to continue to capture the significant opportunities arising from China's economic transformation and development;
- We have achieved sustainable business growth based on our leading distressed asset management capabilities and through continued business innovation;
- Our diversified business platforms operate synergistically and share our extensive business network, broad client base and strong government relationships, achieving synergy in our operations which improves our overall operating efficiency, and through such synergy constructs a full life cycle of our business platform and operation model;
- We have industry-leading risk management capabilities and a comprehensive and prudent risk and capital management system; and
- We have a strong shareholder base and an entrepreneurial and visionary management team.

OUR STRATEGIES

Our strategy is to focus on preventing and resolving financial risks and serving the real economy as our fundamental target, maintain and make use of our core advantages from distressed assets management, enhance our financial service brand, become a leading financial group featuring alternative investment banking businesses.

In particular, we aim to:

- accelerate the transformation and upgrade of our businesses around the main responsibility of the main business and aim for high-quality development in all aspects;
- deepen the market-oriented reform; and
- continue to improve the management capability of the Group.

THE OFFERING

The following overview contains some basic information about the Offshore Preference Shares and is qualified in its entirety by the remainder of this Offering Circular. Some of the terms described below are subject to important limitations and exceptions. Terms and phrases used in this overview and not otherwise defined shall have the meanings given to them in "Terms and Conditions of the Offshore Preference Shares". Prospective investors should refer to "Terms and Conditions of the Offshore Preference Shares" in this Offering Circular for a detailed description of the Offshore Preference Shares.

Issuer	China Cinda Asset Management Co., Ltd.
Offering	U.S.$1,700,000,000 4.40 per cent. Non-Cumulative Perpetual Offshore Preference Shares ("**Offshore Preference Shares**")
Issue Price	100.00 per cent.
Liquidation Preference and Authorised Denomination	The Offshore Preference Shares will have a par value of RMB100 each and will be issued as fully paid up capital in U.S. dollars so that the issuance price of the Offshore Preference Shares will be U.S.$20 each (the "**Liquidation Preference**"). The Offshore Preference Shares will be issued in registered form and issued and transferable only in minimum amounts of U.S.$200,000 (or 10,000 Offshore Preference Shares) and integral multiples of U.S.$1,000 (or 50 Offshore Preference Shares) in excess thereof (each an "**Authorised Denomination**").
Issue Date	3 November 2021
Maturity Date	The Offshore Preference Shares are perpetual and will have no maturity date.
Status and Rights upon Liquidation	Upon the Winding-Up of the Company, Holders of the Offshore Preference Shares shall rank: (a) junior to holders of (i) all liabilities of the Company (including subordinated liabilities) and (ii) obligations issued or guaranteed by the Company that rank or are expressed to rank senior to the Offshore Preference Shares; (b) equally in all respects with each other and without preference among themselves and with holders of the Parity Obligations; and (c) in priority to the Ordinary Shareholders.

Upon the Winding-Up of the Company, the assets of the Company shall be distributed in the following order of priority:

(i) payment of the liquidation fees;

(ii) payment of salaries of the employees, social security expenses and statutory compensation;

(iii) payment of outstanding taxes; and

(iv) payment of other debts of the Company.

On such Winding-Up of the Company, any remaining assets of the Company shall, after the distributions in accordance with paragraphs (i) to (iv) of Condition 3 have been made, be applied to the claims of the Holders of the Offshore Preference Shares equally in all respects with the claims of holders of all Parity Obligations and in priority to the claims of holders of the Ordinary Shares. On such Winding-Up of the Company, in respect of each Offshore Preference Share, the Holder shall be entitled to an amount in respect of each Offshore Preference Share which will be equal to the Liquidation Preference together with any declared but unpaid Dividends in respect of that Offshore Preference Share.

If there are insufficient remaining assets upon such Winding-Up of the Company to cover the amounts payable in full on the Offshore Preference Shares and all Parity Obligations, the Holders of the Offshore Preference Shares and the holders of such Parity Obligations will share rateably in the distribution of such remaining assets (if any) of the Company in proportion to the full amounts to which they are respectively entitled.

After payment of the full amounts to which the Holders of the Offshore Preference Shares are entitled on a Winding-Up of the Company, such Holders of the Offshore Preference Shares will have no right or claim to any of the Company's remaining assets.

Dividends

Subject as provided in Condition 4, each Offshore Preference Share shall entitle the Holder thereof to receive non-cumulative dividends which have not been otherwise cancelled (the "**Dividends**") payable annually in arrear.

Each Dividend will be payable, subject as provided in Condition 4, annually in arrear on 3 November in each year (each, a "**Dividend Payment Date**") after declaration by the Board. Subject as provided in Condition 4, the first Dividend Payment Date will be 3 November 2022.

The applicable Dividend Rate shall not contain any step-up nor any other incentive to redeem any Offshore Preference Share. The applicable Dividend Rate for the Offshore Preference Shares is not linked to any credit rating of the Company and will not be adjusted based on changes in the credit rating of the Company in the future.

Dividend Rate	The Offshore Preference Shares will accrue Dividends on their Liquidation Preference at the relevant Dividend Rate below: (a) from and including the Issue Date to but excluding the First Reset Date, at the rate of 4.40% per annum; and (b) thereafter, in respect of the period from and including the First Reset Date and each Reset Date falling thereafter to but excluding the immediately following Reset Date, at the relevant Reset Dividend Rate, provided that the Dividend Rate shall not at any time exceed 8.41% per annum, being the weighted average return on equity of the Company (calculated based on the return attributable to the Ordinary Shareholders) for the two most recent financial years prior to the Issue Date. For the purposes of the Conditions: "**First Reset Date**" means 3 November 2026. The "**Reset Dividend Rate**" in respect of any Reset Period will be the dividend rate per annum (expressed as a percentage) representing the sum of the Benchmark Rate in relation to that Reset Period and a fixed margin of 3.232% per annum, as determined by the Calculation Agent on the relevant Reset Determination Date. "**Reset Date**" means the First Reset Date and each date that falls five, or a multiple of five, years following the First Reset Rate.
Conditions to Distribution of Dividends	Notwithstanding any other provision in Condition 4, the payment by the Company of any Dividend on any Dividend Payment Date is subject to: (a) the Board having passed a resolution to declare such Dividends in accordance with the Articles; (b) the Company having distributable after-tax profits (which are based on the undistributed profits of the Company as shown in the financial statements of the parent company prepared in accordance with PRC GAAP or IFRS, whichever is the lower), after offsetting the losses in previous years and contributing to its statutory reserve fund and general reserves; and (c) the relevant capital adequacy ratios of the Company meeting the regulatory capital requirements for financial asset management companies.

Further, subject to a resolution to be passed at a shareholders' general meeting of the Company on each such occasion, the Company may elect to cancel (in whole or in part) any Dividend otherwise scheduled to be paid on a Dividend Payment Date in the manner set out in Condition 4.5 and Condition 4.6. The Company may at its discretion use the funds arising from the cancellation of such Dividend to repay other indebtedness due and payable.

Notice of any cancellation of payment of all or part of a scheduled Dividend must be given by the Company to the Offshore Preference Shareholders (in the manner specified in Condition 12) and the Fiscal Agent as soon as possible after a resolution has been passed at the shareholders' general meeting described above to cancel (in whole or in part) any Dividend, and in any event at least 10 Payment Business Days prior to the relevant Dividend Payment Date (provided that any failure to give such notice shall not affect the cancellation of all or part of such Dividend by the Company and shall not constitute a default for any purpose).

The cancellation of all or part of any Dividend in accordance with the Conditions shall not constitute a default for any purpose by the Company. Dividend payments are non-cumulative, and in the event of any cancellation by the Company of all or part of the Dividends pursuant to the resolutions of a shareholders' general meeting and the Conditions, any amount of Dividends not paid to the Offshore Preference Shareholders in full in the current Dividend Period will not be accumulated to the following Dividend Period.

Following receipt of Dividends as set forth in Condition 4 (subject to Condition 4.5, Condition 6 and Condition 7), the Offshore Preference Shareholders shall not be entitled to receive any distribution of residual profits of the Company together with the Ordinary Shareholders.

Restrictions Following Cancellation of Dividends

If the Board elects to cancel (in whole or in part) any Dividend scheduled to be paid on a Dividend Payment Date (but not where such Dividend has been cancelled pursuant to Condition 6.1(a) upon the occurrence of a Trigger Event), the cancellation of such Dividend (in whole or in part) on the Offshore Preference Shares will also require a resolution to be passed at a shareholders' general meeting. The Company undertakes that any resolution passed at a shareholders' general meeting that cancels a Dividend (in whole or in part) on the Offshore Preference Shares will be a Parity Obligation Dividend Cancellation Resolution and undertakes that it will not propose to any shareholders' general meeting a resolution to cancel any Dividend on the Offshore Preference Shares that is not a Parity Obligation Dividend Cancellation Resolution.

From the day immediately following the shareholders' general meeting passing the Parity Obligation Dividend Cancellation Resolution, the Company shall not make any payment in cash or otherwise on, and will procure that no distribution or dividend in cash or otherwise is made on, any Ordinary Shares or on any other class of shares or obligations that ranks or is expressed to rank junior to the Offshore Preference Shares unless or until the earlier of: (i) the Dividend scheduled to be paid on any subsequent Dividend Payment Date is paid in full to Offshore Preference Shareholders; or (ii) the redemption or purchase and cancellation of all outstanding Offshore Preference Shares or the Conversion of all outstanding Offshore Preference Shares.

Dividend Accrual

Each Offshore Preference Share will cease to accrue Dividends from the due date for redemption unless, upon surrender of the Certificate representing such Offshore Preference Share, payment of the redemption price in respect of such Offshore Preference Share is improperly withheld or refused. In such event, the Dividend on such Offshore Preference Share shall, subject as provided in Condition 4, continue to accrue, at the then applicable Dividend Rate, from (and including) the due date for redemption to but excluding the date of payment of such redemption price. The Offshore Preference Shares shall be treated as having been redeemed only after all amounts payable on redemption of the Offshore Preference Shares have been paid in full.

Conversion

If any Trigger Event occurs, the Company shall (having obtained the CBIRC Approval but without the need for the consent of the Offshore Preference Shareholders or the Ordinary Shareholders):

(a) cancel any Dividend in respect of the Relevant Loss Absorption Amount that is unpaid accrued up to and including the Conversion Date; and

(b) irrevocably and compulsorily convert with effect from the Conversion Date all or some of the Offshore Preference Shares into H Shares (such conversion to H Shares being referred to as a "**Conversion**", and "**Converted**" shall have a corresponding meaning) in accordance with Condition 6 as follows:

    (i) the Offshore Preference Shares shall be Converted concurrently with the write-off, conversion or cancellation of all other Additional Tier 1 Capital Instruments, in accordance with the terms thereof or any applicable laws and regulations, but prior to the write-off, conversion or cancellation of any Tier 2 Capital Instruments; and

(ii) the Offshore Preference Shares shall be Converted into such number of H Shares as is equal to (A) the Relevant Loss Absorption Amount (as defined below) (as converted into Hong Kong dollars at the fixed exchange rate of U.S.$1.00 to HK$7.7522) divided by (B) the effective Compulsory Conversion Price and rounded down (to the extent permitted by applicable laws and regulations) to the nearest whole number of H Shares, and any fractional share less than one H Share resulting from the Conversion will not be issued and no cash payment or other adjustment will be made in lieu thereof.

The above fixed exchange rate is based on the cross rate between Hong Kong dollars and U.S. dollars based on the Renminbi central parity rate published by the China Foreign Exchange Trade System on the Trading Day immediately preceding the date of the announcement of the Board resolution (being 3 December 2020) in respect of the issuance plan of the Offshore Preference Shares, rounded to the nearest four decimal places (5 in the fifth decimal place being rounded upwards).

Any partial Conversion of the Offshore Preference Shares is subject to the determination of the relevant regulatory authorities. See "Risk Factors – Risks relating to the Offshore Preference Shares – The terms of the Offshore Preference Shares contain provisions on compulsory conversion into H Shares, in whole or in part".

A Trigger Event may occur on more than one occasion, and the Offshore Preference Shares may be subject to a Conversion on more than one occasion.

If some but not all of the Offshore Preference Shares are to be Converted, the Offshore Preference Shares in respect of each other shall be Converted rateably in the manner determined by the Company acting in good faith and having regard to market conventions.

For the purposes of the Conditions:

"**Trigger Event**" means the earlier of:

(i) the CBIRC having concluded that without a decision on a write-off or conversion into Ordinary Shares, the Company would become non-viable; and

(ii) the relevant regulatory authorities such as the MOF and the PBOC having concluded that without a decision on a public sector injection of capital or equivalent support, the Company would become non-viable.

*As at the date of this Offering Circular, to the Company's knowledge, pursuant to Article 108 of the Administrative Measures on Financial Asset Management Companies (the "**AMC Administrative Measures**"), the "relevant regulatory authorities" referred to in Condition 6 (including paragraph (ii) in the definition above) are those which may determine whether a public sector injection of capital or equivalent support is necessary without which the Company would become non-viable, which includes the State Council, the MOF, the PBOC and the CBIRC. In making such determination (regarding paragraph (ii) in the definition above), the relevant regulatory authorities may consult each other and/or seek joint agreement among themselves. The AMC Administrative Measures will be subject to interpretation and application by the CBIRC and the other relevant regulatory authorities.*

Consequences of a Conversion

Once an Offshore Preference Share has been Converted as described in Condition 6.1, it will not be restored in any circumstances, including where the relevant Trigger Event ceases to continue.

The Company will, with effect from the relevant Conversion Date, enter such number of H Shares issuable under Condition 6.1 in the Company's register of holders of H Shares and such H Shares shall be initially registered in the name of the Share Nominee. The Company will, no later than 20 Trading Days following the Conversion Date (or such other period as the relevant regulatory authorities may require) (the "Share Delivery Date") issue to the Share Nominee to hold on behalf of the Offshore Preference Shareholders such number of H Shares issuable upon Conversion as is described under Condition 6.1 to be issued to the Offshore Preference Shareholders. If the Company fails to issue such H Shares, or there is any delay in the issue or delivery of such H Shares to the Share Nominee, the only right of the Offshore Preference Shareholders in respect of such failure or delay (subject as is described in Condition 6.4) will be to claim against the Company to have such H Shares so issued to the Share Nominee.

The Offshore Preference Shareholders shall be deemed to have waived all rights and claims in respect of the Offshore Preference Shares that have been Converted and shall be deemed irrevocably to have directed and authorised the Company to apply the Liquidation Preference representing such Offshore Preference Shares to fully pay up the H Shares to be issued and delivered to the Share Nominee on behalf of the Offshore Preference Shareholders.

The issue by the Company of such number of H Shares as is described under Condition 6.1 to the Share Nominee will satisfy all obligations of the Company in connection with the issue of H Shares to the Offshore Preference Shareholders in respect of the Conversion, and with effect from the issue of such H Shares to the Share Nominee, the rights of such Offshore Preference Shareholders in respect of such H Shares will be limited to their rights in respect of the H Shares as described in Condition 6.4.

Procedures for Conversion

Unless the Company is satisfied that the Applicable Shareholding Law would permit either unconditionally or after compliance with conditions which the Company (in its absolute discretion) deems as acceptable and not unduly onerous, an Offshore Preference Shareholder to acquire all or some of the H Shares otherwise deliverable to the Share Nominee to hold for such Offshore Preference Shareholder upon a Conversion (such number of H Shares as would otherwise be deliverable but which the relevant Offshore Preference Shareholder is in the opinion of the Company restricted from acquiring, the "Restricted H Shares"), the Restricted H Shares will be sold by the Share Nominee, and the Share Nominee will pay a cash amount equal to the net proceeds received from such sale (after deducting any applicable brokerage, stamp duty and other taxes and charges) to the relevant Offshore Preference Shareholder in accordance with the Conditions.

Notwithstanding any other provision described in Condition 6, the rights and obligations of the Company in connection with a Conversion and any issue of H Shares as described in Condition 6 will be subject to the Company not being prevented by applicable law, order of any court or action of any government or regulatory authority (including a Winding-Up) from issuing such H Shares. If, on the relevant Conversion Date, this condition is not satisfied, then no H Shares will be issued or delivered in respect of the relevant Trigger Event, and the Offshore Preference Shareholders will cease to have any rights in respect of the Offshore Preference Shares that are subject to such Conversion.

The issuance and delivery of any H Shares to an Offshore Preference Shareholder by the Share Nominee in respect of a Conversion will be subject to the H Shares being listed or admitted to trading on the Hong Kong Stock Exchange by the relevant Share Delivery Date. If, on the relevant Conversion Date, this condition is not satisfied, then no H Shares will be issued or delivered in respect of the relevant Trigger Event, and the Offshore Preference Shareholders will cease to have any rights in respect of the Offshore Preference Shares that are subject to such Conversion.

Compulsory Conversion Price	The initial compulsory conversion price for the Offshore Preference Shares is HK$4.52 per H Share, subject to adjustment as described in Condition 6.5 (the "**Compulsory Conversion Price**"). *The initial Compulsory Conversion Price is equal to the net asset value per share attributable to equity holders of the parent company as disclosed in the Company's reviewed consolidated financial statements as at 30 June 2020 and denominated in Hong Kong dollars (which shall be converted with reference to the Central Parity Rate of Renminbi to Hong Kong dollars used by the interbank foreign exchange market as published by the China Foreign Exchange Trade System on the Trading Day prior to the announcement date of the Board resolution on the Offshore Preference Share issuance plan (being 3 December 2020) and rounded up to the nearest 2 decimal places).*
Optional Redemption	The Company may, subject to obtaining CBIRC Approval and compliance with the conditions to the distribution of Dividends set out in Condition 4.5 and the Redemption Preconditions, upon not less than 30 nor more than 60 days' notice to the Offshore Preference Shareholders and the Fiscal Agent, redeem all or part of the Offshore Preference Shares on the First Reset Date and on any Dividend Payment Date thereafter, until all the Offshore Preference Shares have been redeemed or Converted. The redemption price for each Offshore Preference Share so redeemed shall be the aggregate of an amount equal to its Liquidation Preference plus any declared but unpaid Dividends in respect of the period from (and including) the immediately preceding Dividend Payment Date to (but excluding) the date scheduled for redemption. For the purpose of the Conditions: "**Redemption Preconditions**" means, in relation to any redemption of the Offshore Preference Shares, the Company's compliance of the following conditions: (a) the Company shall use capital instruments of the same or superior quality to replace the Offshore Preference Shares to be redeemed and such replacement shall only be made at a time at which the Company has a sustainable income generating capability; or (b) the capital position of the Company immediately after redemption of the Offshore Preference Shares will remain significantly higher than the regulatory capital requirements prescribed by the CBIRC and other relevant regulatory authorities.

In the case of a partial redemption of Offshore Preference Shares, the Offshore Preference Shares shall be redeemed by the Company (i) on a pro rata basis or (ii) by such other method and in such place as the Company deems fit acting in good faith and after consultation with the Fiscal Agent.

So long as the Offshore Preference Shares are represented by a Global Certificate and the Global Certificate is held on behalf of Euroclear, Clearstream, Luxembourg or any Alternative Clearing System, any such partial redemption by the Company shall be effected in accordance with the rules and procedures of Euroclear, Clearstream, Luxembourg or any Alternative Clearing System, as the case may be.

Purchase Restrictions

The Company undertakes that, unless otherwise permitted by the CBIRC:

(a) neither it nor any affiliates controlled by it or over which it has significant influence shall purchase any Offshore Preference Shares; and

(b) it shall not directly or indirectly provide any financing for the purchase of any Offshore Preference Shares.

Any purchase of the Offshore Preference Shares permitted by the CBIRC shall be made by the Company or any such affiliates, subject to applicable laws and regulations, at any price in the open market or otherwise.

Taxation and Withholding

All payments of Liquidation Preference and/or Dividends in respect of the Offshore Preference Shares will be made free and clear of, and without withholding or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatsoever nature imposed or levied by or on behalf of the PRC or any political subdivision or any authority thereof or therein having power to levy tax in the PRC, unless such withholding or deduction is required by the law of the PRC. In that event, the Company shall pay such additional amounts as will result in the receipt by the Offshore Preference Shareholders of such amounts as would have been received by them if no such withholding or deduction had been required, except for limited circumstances described in the Conditions.

Limited Voting Rights

Pursuant to the Articles, Offshore Preference Shareholders shall not be entitled to convene, attend or vote at any shareholders' general meeting of the Company, other than in the following circumstances:

(a) amendments to the Articles that relate to Preference Shares;

(b) reduction of the registered capital of the Company by more than 10% on a single or aggregate basis;

(c) merger, division, dissolution or change of the corporate form of the Company;

(d) issuance of Preference Shares by the Company; and

(e) other events specified in the laws, administrative regulations and departmental rules and the Articles,

(each, a "**Special Resolution**") in which case the Offshore Preference Shareholders will be entitled to attend the shareholders' general meeting of the Company and vote only upon such Special Resolution, and the Offshore Preference Shareholders will be entitled to one vote in respect of each outstanding Offshore Preference Share and vote together with other Preference Shareholders as a separate class from the Ordinary Shareholders. The Offshore Preference Shares held by, or on behalf of, the Company shall have no voting rights.

Any Special Resolution shall be approved by more than two-thirds of votes held by the holders of Ordinary Shares present at the meeting (including Preference Shareholders with restored voting rights) and by more than two-thirds of votes held by the Preference Shareholders present at the meeting (excluding Preference Shareholders with restored voting rights).

The Company shall, in accordance with the Articles, notify the Offshore Preference Shareholders of any shareholders' general meeting which involves a Special Resolution.

Restoration of Voting Rights

Subject to the cancellation of restored voting rights as described in Condition 10.3, if:

(a) the Company fails to pay the Dividends in full on the Offshore Preference Shares in accordance with the Conditions for two consecutive financial years; or

(b) the Company fails to pay the Dividends in full on the Offshore Preference Shares in accordance with the Conditions for a total of three financial years in aggregate since the Issue Date, or, if restored voting rights have been cancelled pursuant to Condition 10.3, the most recent date on which restored voting rights were cancelled pursuant thereto, then, as from the day immediately after the date on which the shareholders' general meeting resolves that the Company will not pay in full, in the case of Condition 10.2(a), the second such Dividend or, in the case of Condition 10.2(b), the third such Dividend, each Holder of an Offshore Preference Share shall, to the extent permitted under Applicable Shareholding Law, be entitled to attend and vote upon any resolution proposed at any shareholders' general meeting as if he or she was the holder of such number of Ordinary Shares as is equal to the aggregate Liquidation Preference of the Offshore Preference Shares (as converted into Hong Kong dollars at the fixed exchange rate of U.S.$1.00 to HK$7.7522) divided by the initial Compulsory Conversion Price (being HK$4.52 per H Share) (without further adjustment) rounded down (to the extent permitted by applicable laws and regulations) to the nearest whole number of H Shares.

The above fixed exchange rate is based on the cross rate between Hong Kong dollars and U.S. dollars based on the Renminbi central parity rate published by the China Foreign Exchange Trade System on the Trading Day immediately preceding the date of the announcement of the Board resolution (being 3 December 2020) in respect of the issuance plan of the Offshore Preference Shares, rounded to the nearest four decimal places (5 in the fifth decimal place being rounded upwards).

Cancellation of Restored Voting Rights

Any voting rights granted to the Offshore Preference Shareholders as described in Condition 10.2 will be cancelled from the date on which the next scheduled Dividend is paid in full. For the avoidance of doubt, voting rights may be subsequently restored if the circumstances described in Condition 10.2 reoccur following such cancellation.

Further Issues

The Company may from time to time create and issue further Preference Shares ranking as regards participation in the profits and assets of the Company equally in all respects with the Offshore Preference Shares and so that any such further Preference Shares may be denominated in any currency and may carry as regards participation in the profits and assets of the Company rights identical in all respects to those attaching to the Offshore Preference Shares.

Governing Law

The Offshore Preference Shares and the rights and obligations attached to them are governed by, and shall be construed in accordance with, PRC law.

Arbitration	Pursuant to the Articles, the Company and the Offshore Preference Shareholders shall abide by the following dispute settlement procedures: (a) Any dispute or claim of rights relating to the affairs of the Company and arising between holders of overseas listed shares (including the Offshore Preference Shares) and the Company, or between holders of overseas listed shares (including the Offshore Preference Shares) and directors, supervisors or senior management members of the Company, or between holders of overseas listed shares (including the Offshore Preference Shares) and holders of other shares, and arising as a result of the rights and obligations provided for in the Articles, the Company Law and other applicable laws, administrative regulations, shall be referred to arbitration by the parties involved. Where a dispute or claim of rights referred to in the preceding paragraph is referred to arbitration, the entire claim or dispute must be referred to arbitration, and all persons who have a cause of action based on the same facts giving rise to the dispute or claim or whose participation is necessary for the resolution of such dispute or claim, where the persons being the Company or shareholders, directors, supervisors or senior management members of the Company, shall comply with the arbitration. Disputes in respect of the definition of Offshore Preference Shareholders and in relation to the Register need not be resolved by arbitration. (b) A claimant may elect for arbitration to be carried out at either the China International Economic and Trade Arbitration Commission in accordance with its arbitration rules or the Hong Kong International Arbitration Centre in accordance with its securities arbitration rules. Once a claimant refers a dispute or claim to arbitration, the other party must submit to the arbitral body elected by the claimant. If the claimant elects for arbitration to be carried out at the Hong Kong International Arbitration Centre, any party may request the arbitration to be conducted in Shenzhen in accordance with the securities arbitration rules of the Hong Kong International Arbitration Centre. (c) The resolution of any dispute or claim of rights referred to in Condition 14.2(a) by arbitration is subject to the PRC laws, unless otherwise required by the laws and administrative regulations. (d) An arbitral award made by the arbitral body is final and binding on all parties.

Language	The Articles and the Conditions are written in Chinese. In the event of any inconsistency between (i) on the one hand, the Articles and the Conditions in Chinese and (ii) on the other hand, any translations of the Articles and the Conditions in other languages, the Chinese versions of the Articles and the Conditions shall prevail. In addition, in the event of any inconsistency between the Articles and the Conditions, the Articles shall prevail.
Capital Treatment of the Offshore Preference Shares	The Offshore Preference Shares will be regarded as Additional Tier 1 Capital of the Company.
Use of Proceeds	Subject to the approvals of relevant regulatory authorities, after deduction of the commissions and expenses relating to the issuance, the net proceeds from the issuance of the Offshore Preference Shares will be used to replenish the Company's Additional Tier 1 Capital.
Fiscal Agent, Calculation Agent and Paying Agent	China Construction Bank (Asia) Corporation Limited
Registrar and Transfer Agent	China Construction Bank (Asia) Corporation Limited
Receiving Agent	ICBC (Asia) Trustee Company Limited
Clearing and Settlement	The Offshore Preference Shares will initially be represented by the Global Certificate which will be registered in the name of a nominee of, and deposited with a common depositary for, Euroclear and Clearstream, Luxembourg. Beneficial interests in the Global Certificate will be shown on, and transfers thereof will be effected only through, the records maintained by Euroclear, Clearstream, Luxembourg and any other alternative clearing system through which interests in the Offshore Preference Shares are held. Except in the limited circumstances set out in this Offering Circular, individual certificates for the Offshore Preference Shares will not be issued in exchange for beneficial interest in the Global Certificate. The Offshore Preference Shares have been accepted by Euroclear and Clearstream, Luxembourg to be settled with the codes respectively below: ISIN: XS2397254579 Common Code: 239725457

LEI	3003008W60YAHL9CQE51
Listing	An application has been made to the Hong Kong Stock Exchange for the listing of, and permission to deal in, the Offshore Preference Shares and such permission is expected to become effective on or about 4 November 2021.
Rating	B1 by Moody's. A rating is not a recommendation to buy, sell or hold the Offshore Preference Shares and may be subject to suspension, change or withdrawal at any time by the assigning rating agency. Prospective investors should evaluate independently each of the ratings of the Offshore Preference Shares or other securities of the Company.
Risk Factors	The Offshore Preference Shares are offered to professional investors only and are only suitable for professional investors. Investors should not purchase the Offshore Preference Shares in the primary or secondary markets unless they are professional investors and understand underlying risks. The Offshore Preference Shares are complex financial instruments, and are not a suitable or appropriate investment for all investors. Investing in the Offshore Preference Shares involves risks. See "*Risk Factors*" beginning on page 34 of this Offering Circular.
Selling Restrictions	For descriptions of the restrictions regarding the offering and selling of the Offshore Preference Shares and the distribution of this Offering Circular, see "*Subscription and Sale*" and "*Notice to Investors*".

SUMMARY FINANCIAL INFORMATION

The following tables set out selected items from our consolidated financial statements.

The summary consolidated statement data of our financial position data as at 31 December 2018, 2019 and 2020 and the summary consolidated statement of profit or loss data for the years ended 31 December 2018, 2019 and 2020 set forth below are derived from our consolidated financial statements for the years ended 31 December 2019 and 2020 which have been prepared in accordance with IFRS and have been audited by Ernst & Young and included elsewhere in this Offering Circular.

The summary reviewed financial information of the Group as at and for the six months ended 30 June 2020 and 2021 has been extracted from the unaudited but reviewed interim condensed consolidated financial statements of the Group as at and for the six months ended 30 June 2021, which are included elsewhere in this Offering Circular has been prepared in accordance with IAS 34 and reviewed by Ernst & Young. Such unaudited but reviewed financial information as at and for the six months ended 30 June 2021 should not be taken as an indication of the expected financial condition, results of operations and results of the Company or the Group for the full financial year ending 31 December 2021.

The summary consolidated financial statements set forth below should be read in conjunction with our relevant consolidated financial statements, together with the accompanying notes.

SUMMARY CONSOLIDATED STATEMENT OF FINANCIAL POSITION DATA OF THE COMPANY AS AT 31 DECEMBER 2018, 2019 AND 2020 AND 30 JUNE 2021

	As at 31 December			As at 30 June
	2018	2019	2020	2021
	(Audited)	(Audited)	(Audited)	(Unaudited)
	(in RMB thousands)			
Assets				
Cash and balances with central banks	16,651,911	19,002,051	15,375,048	13,493,410
Deposits with banks and financial institutions	80,102,582	70,837,593	87,953,563	108,232,354
Deposits with exchanges and others	967,699	1,323,359	1,946,984	2,186,019
Placements with banks and financial institutions	18,470,497	11,152,300	19,909,505	23,471,087
Financial assets at fair value through profit or loss	428,791,036	412,164,583	446,916,674	453,928,901
Financial assets held under resale agreements	33,805,064	13,212,454	36,241,153	88,453,904
Financial assets at fair value through other comprehensive income	116,827,578	136,802,965	123,728,468	120,099,384
Loans and advances to customers	336,616,502	337,859,064	353,456,297	366,580,141
Financial assets at amortised cost	252,416,716	227,645,067	220,232,956	209,936,239
Accounts receivable	4,151,934	2,402,725	3,255,410	3,635,023
Properties held for sale	61,724,050	59,587,157	48,892,723	53,989,678
Investment properties	4,267,513	5,861,059	9,180,878	9,638,164
Interests in associates and joint ventures	74,295,710	73,006,289	70,502,660	72,298,867
Property and equipment	11,794,234	17,611,309	17,224,542	16,494,751
Goodwill	23,038,817	23,548,562	22,043,558	21,796,415

	As at 31 December			As at 30 June
	2018	2019	2020	2021
	(Audited)	(Audited)	(Audited)	(Unaudited)
	(in RMB thousands)			
Other intangible assets	4,242,718	4,201,855	3,801,384	3,645,083
Deferred tax assets	6,159,808	6,756,583	8,989,874	9,513,315
Assets held for sale	–	61,394,178	–	–
Other assets	21,434,840	28,860,854	28,431,971	26,850,658
Total assets	1,495,759,209	1,513,230,007	1,518,083,648	1,604,243,393
Liabilities				
Borrowings from central bank	986,058	1,010,860	986,058	1,025,910
Accounts payable to brokerage clients	10,315,842	14,320,344	16,583,847	16,489,507
Financial liabilities at fair value through profit or loss	4,523,349	5,065,256	7,276,909	5,925,168
Financial assets sold under repurchase agreements	12,970,207	19,495,590	15,990,678	24,346,923
Placements from banks and financial institutions	20,218,650	14,084,819	14,044,334	12,800,045
Borrowings	570,870,150	536,591,304	556,912,148	579,614,654
Due to customers	254,099,918	275,205,766	273,644,174	296,068,592
Deposits from banks and financial institutions	22,380,749	14,157,128	15,542,184	14,477,174
Accounts payable	5,303,813	5,050,797	4,886,693	5,039,713
Investment contract liabilities for policyholders	13,206,016	–	–	–
Tax payable	5,474,956	4,331,779	4,751,823	3,263,136
Insurance contract liabilities	37,606,574	–	–	–
Bonds issued	283,115,066	304,849,566	355,777,530	380,668,477
Contract liabilities	25,040,984	24,087,036	14,855,727	23,164,548
Deferred tax liabilities	2,387,044	2,299,671	2,412,778	2,385,967
Liabilities held for sale	–	57,924,139	–	–
Other liabilities	48,691,367	46,345,491	39,376,345	43,138,929
Total liabilities	1,317,190,743	1,324,819,546	1,323,041,228	1,408,408,743
Equity				
Share capital	38,164,535	38,164,535	38,164,535	38,164,535
Other equity instruments	21,281,215	21,281,215	21,281,215	21,281,215
Capital reserve	21,257,033	20,239,333	20,409,660	19,901,790
Other comprehensive income	(1,152,132)	(35,688)	(1,237,414)	(1,703,274)
Surplus reserve	7,857,883	8,510,147	8,948,922	8,948,922
General reserve	15,043,296	15,961,421	15,665,320	16,380,109
Retained earnings	54,041,001	60,777,160	68,876,486	69,849,106
Equity attributable to equity holders of the Company	156,492,831	164,898,123	172,108,724	172,822,403
Non-controlling interests	22,075,635	23,512,338	22,933,696	23,012,247
Total equity	178,568,466	188,410,461	195,042,420	195,834,650
Total equity and liabilities	1,495,759,209	1,513,230,007	1,518,083,648	1,604,243,393

SUMMARY CONSOLIDATED INCOME STATEMENT/STATEMENT OF PROFIT OR LOSS DATA OF THE COMPANY FOR THE YEARS ENDED 31 DECEMBER 2018, 2019 AND 2020 AND FOR THE SIX MONTHS ENDED 30 JUNE 2020 AND 2021

	For the year ended 31 December			For the six months ended 30 June	
	2018	2019	2020	2020	2021
	(Audited)	(Audited)	(Audited)	(Unaudited)	(Unaudited)
	(in RMB thousands)				
Profit for the year/period	11,879,909	15,018,217	14,737,277	7,345,624	7,076,899
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/period	471,538	463,240	(180,875)	(176,684)	123,693
– Amounts reclassified to profit or loss upon disposal	(48,077)	(191,762)	(88,227)	(17,669)	(90,372)
– Amounts of profit or loss upon impairment	146,295	8,383	16,303	23,627	16,925
	569,756	279,861	(252,799)	(170,726)	50,246
Exchange differences arising on translation of foreign operations	297,234	(7,527)	(907,831)	318,100	(479,151)
Share of other comprehensive income of associates and joint ventures	(31,503)	216,646	206,835	(13,608)	(144,619)
Subtotal	835,487	488,980	(953,795)	133,766	(573,524)
Items that will not be reclassified subsequently to profit or loss:					
Remeasurement of supplementary retirement benefits	(5,089)	(11,581)	(16,118)	–	–
Fair value changes on equity instruments designated as at fair value through other comprehensive income	(1,247,794)	614,796	(546,815)	(715,593)	91,284
Subtotal	(1,252,883)	603,215	(562,933)	(715,593)	91,284
Other comprehensive income/(loss) for the year/period, net of income tax	(417,396)	1,092,195	(1,516,728)	(581,827)	(482,240)
Total comprehensive income for the year/period	11,462,513	16,110,412	13,220,549	6,763,797	6,594,659
Total comprehensive income attributable to:					
Equity holders of the Company	11,564,480	14,169,390	12,046,154	5,929,853	6,221,545
Non-controlling interests	(101,967)	1,941,022	1,174,395	833,944	373,114
	11,462,513	16,110,412	13,220,549	6,763,797	6,594,659

RISK FACTORS

Investors should carefully consider, together with all other information contained in this Offering Circular, the risks and uncertainties described below. The business, financial condition or results of operations of the Company and the Group may be adversely affected by any of these risks. The risks described below are not all the risks relevant to the Company, the Group, or the Offshore Preference Shares. The Company believes the risks described below represent the principal risks inherent when considering an investment in the Offshore Preference Shares. Additional risks and uncertainties not presently known to the Company, or which the Company currently deems immaterial, may also have an adverse effect on an investment in the Offshore Preference Shares. All of these factors are contingencies which may or may not occur and the Company is not in a position to express a view on the likelihood of any such contingency occurring.

The statements below regarding the risk factors of holding any Offshore Preference Shares may not be exhaustive. Prospective investors should also read the detailed information set out elsewhere in this Offering Circular and reach their own views prior to making any investment decisions.

This Offering Circular also contains forward-looking statements that involve risks and uncertainties. The Group's actual results could differ materially from those anticipated in these forward-looking statements as a result of certain factors, including the considerations described below and elsewhere in this Offering Circular.

RISKS RELATING TO OUR GROUP

Risks Relating to Our Distressed Asset Management

If we are unable to maintain the growth of our distressed debt asset portfolio, our competitive position, financial condition, and results of operations may be materially and adversely affected.

Distressed asset management is our core business. Our distressed debt assets primarily include NPLs and other distressed debt assets from banks, distressed debt assets from other non-bank financial institutions and accounts receivables from non-financial enterprises. As at 31 December 2018, 2019 and 2020 and 30 June 2021, the net balance of our distressed debt assets amounted to RMB405,247.9 million, RMB385,449.7 million, RMB375,603.2 million and RMB366,982.7 million, respectively. Our ability to generate sustainable revenue and ensure business growth depends, to a certain extent, on our ability to acquire distressed debt assets suitable for our business.

The supply of distressed debt assets is affected by a number of factors, including changes in macroeconomic conditions and asset quality and business conditions of financial institutions and non-financial enterprises. Changes in the NPL balance of commercial banks in the PRC, the overall volume of accounts receivables of enterprises and changes in macroeconomic conditions, the government's control and industry policies and market liquidity fluctuation could have significant effects on the supply of distressed debt assets in the market. Therefore, the supply of distressed debt assets in the PRC financial market may be limited or changed during a certain period of time. The amount of distressed debt assets we are able to acquire depends on a number of factors beyond our control, including the policies of the PRC central government or local governments, willingness of banks and enterprises to sell their distressed debt assets and our competition with other AMCs. If we fail to acquire distressed debt assets at acceptable prices or at all, or if further changes in government policies with regard to distressed asset management prevent us from growing our distressed debt asset portfolio, our competitive position, financial condition and results of operations may be materially and adversely affected.

If we are unable to effectively maintain the quality of our distressed debt asset portfolio, or the provisions we make for impairment losses of distressed debt assets may not be sufficient to cover actual losses, our financial condition and results of operations may be materially and adversely affected.

Debtors under the distressed debt assets we acquire usually are in weak financial positions, have experienced poor operating results and have relatively high financing needs, and certain debtors are involved in bankruptcy proceedings or restructuring processes. The quality of our distressed debt asset portfolio may deteriorate due to various factors, many of which are beyond our control, such as the slowdown of the PRC or global economies, a recurrence of the global credit crisis, adverse macroeconomic developments in the PRC or other areas in the world, the occurrence of certain geopolitical events (such as the United Kingdom's vote to withdraw from the European Union and U.S. and China trade tensions), fluctuations in relevant industries, significant volatilities and natural disasters such as the novel coronavirus ("**COVID-19**"), etc. Any of these factors may increase our exposure to credit risk arising from the debtors.

Before 1 January 2018, our distressed debt assets are recorded as financial assets at fair value through profit or loss and financial assets classified as receivables in our consolidated statements of financial position. After 1 January 2018, due to the changes in accounting standards, our distressed debt assets primarily consist of financial assets at fair value through profit or loss and financial assets at amortised cost.

Our distressed debt assets measured at fair value through profit or loss mainly refer to Acquisition-operation Distressed Assets i.e. the distressed debt assets we acquired from financial and non-financial institutions through competitive biddings, public auctions, blind auctions or negotiated acquisitions, etc. Based on the characteristics of the distressed debt assets, we form corresponding management strategies to maximise the value of assets and achieve cash recovery by various methods, including debt restructuring, debt-to-equity swap, asset swap, receipt of equity in satisfaction of debt, litigation recovery and disposal, etc. We may have difficulties in disposing of the acquired assets as scheduled, and have to hold the assets for a period of time longer than we expected until we complete the disposal. In addition, the fair value of these distressed debt assets may further decrease below our initial purchase price if the operations of the debtors deteriorate further.

Our distressed debt assets measured at amortised cost refer to Restructured Distressed Assets which mainly required from non-financial enterprises. During acquisitions, we will enter into a tripartite agreement with the creditor and debtor. Concurrent to the debts acquisition, we, the debtor and its related parties will also enter into a restructuring agreement that details a series of arrangement of reorganisation including the repayment amount, repayment method, repayment schedule and collateral and guarantee agreements, with the goal of activating the existing assets of the debtor and recovering the debt in full and achieving target gains.

As at 31 December 2018, 2019 and 2020 and 30 June 2021, our impaired distressed debt assets at amortised cost amounted to RMB7,157.4 million, RMB5,706.1 million, RMB7,539.4 million and RMB7,693.1 million, respectively, which accounted for 3.13%, 2.87%, 3.90% and 4.23% of our total distressed debt assets at amortised cost, respectively.

After the adoption of new accounting standards since 1 January 2018, we conduct impairment assessment for distressed debt assets of financial assets measured at amortised cost every quarter and make provisions for impairment losses accordingly.

As at 31 December 2018, 2019 and 2020 and 30 June 2021, our provisions for impairment losses on distressed debt assets measured at amortised cost amounted to RMB12,904.8 million, RMB11,412.4 million, RMB16,380.8 million and RMB15,983.8 million, respectively, and the coverage ratios of the impaired distressed debt assets at amortised cost were 180.3%, 200.0%, 217.3% and 207.8%, respectively. As at 31 December 2018, 2019 and 2020 and 30 June 2021, the coverage ratios of our allowance to total distressed debt assets at amortised cost were 5.6%, 5.7%, 8.5% and 8.8%.

The provisions are based on our current assessments of, and expectations for, various factors affecting the quality of our portfolio of distressed debt asset. These factors include expected return, risk level and our ability to select the right combination of assets to achieve this outcome, the obligors' financial condition, their capability and willingness to repay, the realisable value of any collateral, the capability of our obligors' guarantors to fulfil their obligations and implement our credit policies, as well as the PRC economy, macroeconomic policies, volatilities in the capital markets, the legal environment and the regulatory environment. Many of these factors are beyond our control, and, therefore, our assessment of and expectations for these factors may not be accurate. The adequacy of our provisions for impairment losses, to a large extent, depends on the effective application of our risk assessment system to estimate these potential losses, as well as our ability to accurately collect, process and analyse relevant statistics. In addition, our classification and provision policies for distressed debt assets at amortised cost are different from those adopted by PRC commercial banks. If our assessments of, and expectations for, the factors that affect the quality of our portfolio of distressed debt asset at amortised cost differ from the actual conditions and results, or if our assessments prove to be inaccurate, or if our application of the risk assessment systems or our ability to collect relevant statistics proves to be insufficient, our provisions for impairment losses may not be adequate to cover our actual losses, and we may need to make additional provisions for impairment losses, which may lower our profits as well as materially and adversely affect our asset quality, financial condition and results of operations.

Although we place great importance to our risk management and the quality of our distressed debt asset portfolio, there is no assurance that we will be able to effectively manage and maintain the quality of our distressed debt asset portfolio. The actual or perceived deterioration in creditworthiness of our counterparties, declines in realisable value of collateral, and reduced profitability of corporate debtors may cause our debt asset quality to deteriorate and may lead to significant increases in our provisions for impaired debt assets, which may in tum materially and adversely affect our financial condition and results of operations.

In addition, the sustainability of our business growth also depends largely on our ability to effectively manage credit risk and maintain or improve the quality of our distressed debt asset portfolio. For more information on our risk management systems and methods, please see "*Description of the Group – Risk Management*". We cannot assure you that our credit risk management policies, procedures and systems are free from any deficiencies. Deficiencies in our credit risk management policies, procedures and systems may result in an increase in the impairment of our distressed debt assets and may materially and adversely affect the quality of our distressed debt asset portfolio.

The limitations of our due diligence procedures, model and data as well as other factors beyond our control may affect our judgements and valuation regarding the acquisition and disposal of our distressed assets.

There are no readily ascertainable market prices for most of the distressed assets we acquire. When determining the price for acquisition of distressed assets, we consider various factors, including: (1) our evaluation of the quality of distressed assets based on the due diligence conducted by our in-house appraisal team and/or qualified independent valuation specialists; (2) estimated costs associated with the management and disposal of such assets; and (3) prevailing market conditions and intensity of competition. Our due diligence strategy and selection process for acquiring distressed assets may not be successfully implemented, and our investments may not generate satisfactory returns or may result in losses.

In addition, the valuation methods adopted by our in-house appraisal team and qualified independent valuation specialists to appraise the value of distressed assets involve subjective judgements, assumptions and opinions, which may not be accurate or correct. Given the complexity of our investments and strategies, we typically utilise analytical models (including our proprietary models and those provided by third parties) with reference to the data and information provided by the sellers of distressed assets or third parties in our asset evaluation and pricing. These models, data and information are used for appraisal of investments or potential investments and are related to the completion of due diligence on investments. In the event that these models, data and information prove to be incorrect, inaccurate, misleading or incomplete, any decisions made in reliance thereon may expose us to potential risks. We may make unsound acquisition decisions. including acquiring distressed assets at prices higher than commercially reasonable level, due to our failure to accurately determine commercially reasonable prices for distressed assets.

Before we acquire distressed assets, we conduct due diligence that we consider reasonable and appropriate based on the facts and circumstances applicable to each distressed asset acquisition. The due diligence that we have conducted or will conduct with respect to any opportunity of distressed asset acquisition may not reveal all relevant facts that are necessary or useful in evaluating such opportunity, which could subject us to unknown liabilities that could adversely affect our profitability, financial condition and results of operations. For example, when we acquire distressed debt assets we may be unable to identify defects in the pre-existing creditor rights, potential claims by other interested parties in connection with such distressed debt, or defects in the procedures creating a guarantee, which could adversely affect our ability to enforce our rights and realise the value of collateral and subject us to litigation risks.

Our distressed assets are concentrated in certain industries and companies. If the conditions of these industries or these companies significantly deteriorate, our asset quality, financial condition and results of operations may be materially and adversely affected.

Our distressed assets are concentrated in certain industries and companies. For instance, as at 30 June 2021, our Restructured Distressed Assets from real estate and manufacturing industries accounted for 38.4% and 14.6% of our total Restructured Distressed Assets, respectively. Our risk exposure to the PRC real estate market primarily relates to receivables due from real estate companies and other loans and receivables secured by real properties. In recent years, the PRC central government and local governments have adjusted their restrictive policies and measures to regulate the real estate market, including restrictive credit measures relating to land, tax, property development, mortgage and other real estate transactions and developments, increased requirements of down payment ratio and interest rate and restrictions on investment and sales of properties. Any control policies or extended implementation period for any of relevant policies further implemented in the PRC may materially and adversely affect the repayment capability and willingness of our obligors in the real estate industry and the value and quality of the properties pledged as collateral. In addition, if any other industry which accounts for a significant portion of our distressed debt assets at amortised cost experiences a significant downturn, our obligors may be unable to repay such debts or default in repayment and, as a result, our asset quality, financial condition and results of operations may be materially and adversely affected.

In addition, certain of the DES Companies in our DES Asset portfolio may be subject to restrictions under the industry policies of the PRC government, such as restrictions on business expansion due to excessive capacity or orders to eliminate obsolete capacity. A downturn in any industry in which our equity interests are concentrated may lead to deterioration of the operating results of enterprises in this industry, which may, in turn, affect their equity value or ability to distribute dividends, and may materially and adversely affect our asset quality, financial condition and results of operations.

If the collaterals or guarantees securing our distressed debt assets and loans and advances to customers are not sufficient, or for other reasons, we may not be able to recover the full value of the collateral or guarantees in a timely manner or at all.

A significant portion of our distressed debt assets and loans and advances to customers is secured by collaterals or guarantees. As at 31 December 2018, 79.4% of our distressed debt assets at amortised cost and loans and advances to customers were secured and 44.7%, 18.4% and 16.3% of them were secured by mortgages, pledges and guarantees, respectively. As at 31 December 2019, 77.5% of our distressed debt assets at amortised cost and loans and advances to customers were secured and 45.2%, 19.1% and 13.2% of them were secured by mortgages, pledges and guarantees, respectively. As at 31 December 2020, 73.8% of our distressed debt assets at amortised cost and loans and advances to customers were secured and 35.9%, 26.6% and 11.3% of them were secured by mortgages, pledges and guarantees, respectively. As at 30 June 2021, 74.9% of our distressed debt assets at amortised cost and loans and advances to customers were secured and 32.2%, 30.5% and 12.2% of them were secured by mortgages, pledges and guarantees, respectively.

The mortgages securing our distressed debt assets primarily include real properties and other assets located in the PRC. The value of the collaterals securing our debt assets may significantly fluctuate or decline due to factors beyond our control, including macroeconomic factors affecting the PRC's economy as well as significant volatilities in its capital markets. For example, a downturn in the real estate market in the PRC may result in a decline in the value of the real properties securing our debt assets to a level significantly below the outstanding balance of principal and interests of such debt assets. Any decline in the value of such collaterals may reduce the amounts we can recover from such collateral and increase our impairment losses.

Some of the guarantees securing our debt assets are provided by the obligor's affiliates. Such debt assets are generally not secured by collaterals or security interests other than guarantees. Significant deterioration in the financial condition of a guarantor or the capital markets in general could significantly decrease the amounts we may recover from such guarantees. Moreover, we are subject to the risk that courts or other judicial or governmental authorities may declare a collateral to be invalid or otherwise decline or fail to enforce such collaterals. Thus, we are exposed to the risk that we may not be able to recover part or all of the amounts guaranteed for our debt assets.

Moreover, we obtain assets in satisfaction of debt when acquiring or disposing of distressed debt assets and we do not intend to hold these assets in satisfaction of debt for the long term. Certain land and buildings in satisfaction of debt we currently hold have defects in titles primarily because, among others, the land right certificates or the building ownership certificates have not been obtained by the previous owners or transferred to us. As a result, we may not be able to exercise our rights over the assets in satisfaction of debt, which may affect our ability to dispose of the assets in satisfaction of debt and generate income.

We may not be able to realise the value from our distressed assets as expected and our ability to dispose of distressed assets is subject to the limited methods of disposal available to us in the PRC.

The amount of income we can generate from our distressed assets depends on various factors, many of which are beyond our control, including the economic conditions in the PRC and in the global market, the prevailing market conditions, and changes in the relevant PRC policies, laws and regulations. Adverse changes in these factors could adversely affect the financial condition and repayment capability of the companies in which we hold distressed assets or make it difficult for us to realise the value of the distressed assets as expected. Therefore, we cannot assure you that the value of distressed assets we acquired will not decrease or that we will achieve the returns from disposing of our distressed assets as expected or at all. In addition, from time to time, we seek to realise the value of distressed assets through litigation or arbitration; however, we cannot assure that we can achieve the outcome as expected.

The methods that we currently adopt to realise the value of distressed assets consist primarily of debt collection and litigation, debt restructuring, DES arrangements, assets for debt repayment, transfer of distressed assets and equity swaps, public listing and disposals through sales. Given the distressed asset management industry in the PRC is expected to further evolve, certain innovative financing and disposal methods to hedge against the loss arising from, and to preserve the value in, distressed assets may not be available to us. In addition, our distressed asset management is subject to the existing rules, regulations and policies, which may change from time to time based on the development of the distressed asset management industry. Any asset disposal method that is newly introduced into the market needs further development and improvement and there are legal uncertainties with respect to the new method prior to the promulgation of rules and regulations governing such new method. Although we believe our methods and manners of disposal are in compliance with applicable rules and regulations, the regulatory authorities may take different views, which could restrict or prevent us from using specific methods of distressed asset disposal, and/or impose fines and other penalties on us.

We do not participate in the daily management for the majority of the DES Companies and have limited influence on these companies, which may affect our ability to receive dividends on or exit from such investments and to realise the value of our investment in such DES Companies.

DES asset management is one of our principal business operations. For the history and further details of our DES Assets, see "*Description of the Group – Our Principal Businesses – Distressed Asset Management – DES Asset Management*" and "*Regulation and Supervision in the PRC and Hong Kong*" in this Offering Circular. Due to the restrictions of the relevant governmental policies and regulations as well as the characteristics of our distressed asset business, in general we are not able to control or participate in the daily management of the DES Companies and have limited influence on such enterprises.

The controlling or majority shareholders or the management of these DES Companies may make business, financial or management decisions or act in a manner that may not align with our interests and, therefore, prevent us from achieving expected investment returns. For example, before we realise gains from disposal of DES Assets, our investment returns from DES Assets consist primarily of dividends distributed by the DES Companies. The payment of dividends is at the discretion of the shareholders of these DES Companies and the majority and/or controlling shareholders of these enterprises may exert significant influence over dividend distribution in a manner that may not align with our interests. In addition, the DES Companies and/or their majority and/or controlling shareholders may disagree with the manners or the prices we proposed to exit from our investments, and we may not be able to dispose of in the manner, schedule and price as expected. We may even be involved in disputes with, and litigations and other legal proceedings against, the DES Companies and/or their controlling shareholders and may incur additional legal costs, and our business, financial condition and results of operations could be materially and adversely affected.

As we do not participate in the daily management of the majority of the DES Companies, we may not be aware of issues arising from their daily operation and legal compliance. Even if we are aware of such issues, we may not be able to cause such enterprises to resolve the issues due to our limited influence on them. Therefore, certain issues arising from the daily operations and legal compliance of the DES Companies may materially and adversely affect our business, financial condition and results of operations.

Our private equity investment business is subject to our investment decisions, our limited shareholding in the investee companies and market conditions.

We conduct our distressed asset management business in a comprehensive way, such as restructuring businesses for Distressed Entities and distressed assets and special situations investment business, including private equity investment business. Our private equity investment business generally involves direct investments in private companies with our own capital or investments through private equity funds. We hold equity interests in private equity portfolio companies to earn capital investment returns from dividends paid by such portfolio companies and from exits through IPOs or disposal of equity in such portfolio companies. Making an accurate investment decision requires us to carefully identify and select a target company based on its business, financial condition, results of operations and the industry in which it operates. In general, this selection process involves a systematic analysis and estimation of the target company's profitability and sustainability. However, we may make unsound investment decisions due to fraudulent, concealed, inaccurate or misleading statements from a target company in the course of our due diligence, which could lead us to mistakenly estimate the value of the target company and affect our ability to make profit on such investments. In addition, our understanding of and judgement on the industry in which the target company operates or its business may be inaccurate and result in inappropriate investment decisions.

Our portfolio companies may take longer than we expect to become suitable for IPOs or for us to exit our investments through other means. As such, our investment period may be longer than we anticipated, which could reduce our expected returns on investment. If an IPO cannot be achieved for any reason, we cannot exit our investment in an open market or through other means, or at all, which may have an adverse impact on the realisable value of our investment. In addition, our ability to exit a private equity investment is also subject to capital market conditions in the PRC and those taking place elsewhere in the world that could have an impact in the PRC. For example, the United Kingdom's vote to withdraw from the European Union and the COVID-19 also brought volatility to the capital markets worldwide, increased foreign exchange volatility and potential negative impact to global economic growth. Even in the case of successful IPOs, due to volatile equity capital market conditions, we may not be able to sell our investments at desirable prices or may not be able to sell within the time period as we scheduled. Our obligation in accordance with applicable laws to reduce the holding of our shares in investee companies during their IPOs may also reduce returns on our investments. If we cannot sell our private equity investments during the planned disposal period, our investment returns will continue to be exposed to market risks.

We may have limited control over the companies in which we have invested. Therefore, we may not be able to influence the business decisions of our invested companies, which could prevent us from making profit from such investments as we anticipated. In addition, our private equity portfolio companies may fail to meet their obligations under the agreements entered into with us, which could result in deterioration in the value of our investments. In such cases, our business, financial condition and results of operations could be materially and adversely affected.

We are exposed to risks associated with real estate construction and development.

Our real estate business is mainly associated with our distressed debt assets management. We realise the appreciation of the assets value through revitalising distressed assets related to real estate and other methods. Our property construction and development activities involve certain risks. Before a property development generates any revenues, we shall incur significant costs, including land use rights acquisition costs and property construction costs. It generally takes several years for a development project to generate revenues, and we cannot assure you that such development will be completed within the expected period of time and generate profit as we expected. Our property construction and development activities are exposed to various risks, including but not limited to the following:

- we may not be able to identify appropriate land or obtain the land use rights for our development business;

- we may fail to obtain or face material delays in obtaining requisite certificates, permits and government approvals, including, among others, qualification certificates, real estate right certificates, construction permits, pre-sale permits and certificates or confirmation of completion, for our property developments;

- we may not be able to complete the construction of properties on schedule or on budget, due to a variety of factors including shortages or increases in costs of raw materials, equipment, technical personnel and labour, adverse weather conditions, natural disasters, labour disputes, disputes with contractors and sub-contractors, accidents, changes in government policies, changes in market conditions, delays in obtaining the requisite licenses and permits and approvals from the relevant authorities, and other unforeseen problems and circumstances;

- we may lease or sell the properties developed by us at rental rates or sales prices below our expectation, and we may experience delays in the leasing or sale of properties developed by us; and

- sales decommissioning rates, rental rates, rents and sale prices of the real estate projects developed by us may fluctuate depending on a number of factors, including market and economic conditions and our ability to deliver our properties to meet consumer demand in the areas of product positioning, design and pricing, and may adversely affect our revenues and cash flows.

The PRC real estate market is affected by many factors, including but not limited to, macroeconomic conditions, interest rates, inflation rate, urbanisation rate, disposable income levels and supply and demand dynamics, many of which are beyond our control. PRC central government and local governments may implement restrictive policies and measures to regulate the real estate market, including credit measures relating to land, tax, property development, mortgage and other real estate transactions and developments, increased requirements of down payment ratio and interest rate and restrictions on investment and sales of properties.

Any further restrictive policies in China or prolonged implementation of the relevant policies could lead to deterioration in the liquidity of the real estate market in China, which may in turn cause the sales volume and prices of our properties to decline. In addition, the value of our real estate assets may decrease. We may not be able to sell any of our properties at favourable prices or on favourable terms, or the prices or terms offered by prospective purchasers may not be acceptable to us. It is also impossible to predict the length of time needed to find willing purchasers and to complete the property purchases. In addition, properties that we operate and manage for long-term investment purposes may not be as profitable as we expected and the costs associated with the maintenance of these properties may exceed our budget. Any of the foregoing may materially and adversely impact the revenue and profit generated from our real estate development business.

Risks Relating to Our Financial Services

Our banking business is subject to concentration risk.

The Banking Ordinance (Cap. 155) of Hong Kong (the "**Banking Ordinance**") generally prohibits any bank incorporated in Hong Kong from maintaining a financial exposure to any single person or group of connected persons in excess of 25% of its capital base. In recent years, NCB's exposure to its 10 largest borrowers (including groups of individuals and companies, excluding exposure to the Group) consistently amounted to a substantial majority of its capital base, even though it has not had exposure to any single person or group of connected persons in excess of 25% of its capital base. In addition, NCB also faces the risks of geography concertation, as substantially all of its operations are in the PRC and Hong Kong. Such concentration exposes NCB to concentration risk and its business may therefore be significantly impacted by any adverse event affecting the banking industry in the PRC or Hong Kong, or even globally in general, and adverse event affecting its largest customers, which may in turn have a material adverse effect on our business, financial condition and results of operations.

The allowance for impairment losses on loans of our banking business may not be sufficient for covering the actual losses on our loan portfolio which may be incurred in the future.

The allowance for impairment losses on loans of our banking business may not be sufficient for covering the actual losses on our loan portfolio which may be incurred in the future. As at 31 December 2018, 2019 and 2020 and 30 June 2021, NCB's loan impairment allowances amounted to HK$2,897.5 million, HK$2,707.7 million, HK$3,027.8 million and HK$3,468.8 million, representing 1.14%, 1.03%, 1.08% and 1.17% of NCB's loans to customers at that time, respectively. The allowance for impairment losses of NCB is determined according to the assessments and forecasts on various factors which may affect the quality of the loan portfolio. Such factors include, but are not limited to, a borrower's financial condition, solvency and willingness to repay, the realisable value of the collateral, the ability of the borrower's guarantor to perform the contract, as well as China's economic condition, policies for the industry, interest rates, according standards, laws and regulatory environment. Many of these factors are beyond our control, and the judgement and expectations on the aforesaid factors may not be consistent with the real conditions emerging in the future. Any change of the aforementioned factors may make our allowance for such impairment losses on loans insufficient to cover the actual losses, and as a result, may require NCB to increase its allowance for such impairment losses. Hence, our profits may decrease, and our asset quality, results of operations and financial condition may also be materially and adversely affected.

Economic conditions, as well as government policies, could affect our banking business, financial condition, operation results and prospects.

NCB's business is inherently subject to general macroeconomic conditions and policies and market fluctuations, including financing cost and the volatility of interest rates, inflation, upward and downward trends in the industrial and financial sectors, monetary and fiscal policies, foreign exchange policies and currency fluctuations, taxation policies and other macroeconomic policies, as well as laws and regulations affecting the financial industries in Hong Kong and mainland China. Unfavourable financial or economic environments, including the slowdown of economic conditions of Hong Kong and mainland China, may have an adverse impact on NCB's business prospects.

We face increasingly intense competition in mainland China and Hong Kong's banking industries.

The banking industries in Hong Kong and mainland China is becoming increasingly competitive. NCB competes with its competitors for substantially the same products and services. Such competition may materially and adversely affect NCB's business and future prospects by, for example, reducing market share and lowering pricing in principal products and services, affecting the growth of loan or deposit portfolios and their related products and services, and increasing competition for hiring and retaining senior management talent and qualified professional personnel.

We may be affected by the Financial Institutions (Resolution) Ordinance or other regulatory requirements.

On 7 July 2017, the Financial Institutions (Resolution) Ordinance (Cap. 628) of Hong Kong (the "**FIRO**") came into effect. The FIRO provides for, among other things, the establishment of a resolution regime for authorised institutions and other within scope financial institutions in Hong Kong which may be designated by the relevant resolution authorities, which includes NCB and may in the future include other members of the Group (a "**FIRO Group Entity**"). The resolution regime seeks to provide the relevant resolution authorities with administrative powers to bring about timely and orderly resolution in order to stabilise and secure continuity for a failing authorised institution or within scope financial institution in Hong Kong. In particular, in the context of a resolution of any FIRO Group Entity, the relevant resolution authority may have the ability to resolve other entities within the Group as if they were themselves a within scope financial institution for the purposes of FIRO and take certain actions and make certain directions in relation to such entities. Any such actions could potentially affect contractual and property rights relating to the relevant entity. The implementation of FIRO remains untested and certain detail relating to FIRO will be set out through secondary legislation and supporting rules. Therefore, we are unable to assess the full impact of FIRO on the financial system generally, our counterparties, us, any of our consolidated subsidiaries or other Group entities, our operations and/or our financial position.

On 17 January 2018, the Hong Kong Monetary Authority ("**HKMA**") announced a public consultation on a set of proposed rules to set out minimum loss-absorbing capacity ("**LAC**") requirements for authorised institutions under FIRO. The LAC requirements have been proposed in order to ensure that the resolution regime can be used effectively and that authorised institutions have sufficient loss-absorbing capacity. On 14 December 2018, the Financial Institutions (Resolution) (Loss-absorbing Capacity Requirements – Banking Sector) Rules (Cap. 628B) came into operation as subsidiary registration under the FIRO.

The HKMA or other regulatory authorities may implement other subsidiary registrations or regulations, or may impalement a series of reforms that are different from the current reform plan in contemplation of, or may raise additional regulatory requirements to us which will increase our compliance costs. If we cannot meet any requirement for regulatory capital, the regulatory authorities may impose punishments or restrict our business operation, which may in turn, have a material adverse impact on our business, financial condition or results of operation.

Our securities business may be subject to various risks.

Our securities business is directly affected by the inherent risks associated with the securities markets in the PRC, such as market volatility, overall investment sentiments, fluctuations in market capitalisation and trading volumes, the supply of liquidity and the creditworthiness of the securities industry. Our business is also subject to changes in macroeconomic conditions, such as monetary policies, fiscal policies, currency fluctuations, cost of funding, interest rate volatility and other macroeconomic policies, legislation and regulations affecting the financial and securities industries. In addition, our securities business may be subject to various risks, including but not limited to:

- Revenue from our securities brokerage business depends significantly on the volume of trading that we execute for our clients and the brokerage commission rate. Trading volume is subject to various factors including, among others, macroeconomic conditions, monetary policies, market conditions, fluctuations in interest rates and investor behaviour, all of which are beyond our control. In addition, we face intense price competition in our securities brokerage business as some of our competitors seek to increase their market shares by reducing prices as well as the introduction of electronic trading through the Internet and other alternative trading systems, which may lead to a decrease in our brokerage commission. As a result, we cannot assure you that commission and fee income from our brokerage business can be sustained at current levels.

- As a part of our securities and futures business, we derive revenue from providing margin financing to customers, futures brokerage and repurchase transactions. Margin financing to our customers depends on the market conditions and significant volatilities in the PRC capital market may negatively affect the market demand for margin financing. Margin financing to customers also exposes us to credit risks. Please see the section entitled "*Risk Factors – Other Risks Relating to Our Group – Our business operation is subject to credit risk*" in this Offering Circular.

- We provide services to customers of our securities brokerage business and manage customer relationships primarily through our securities branches. However, there is no assurance that we will be successful in further expanding our branch network due to changes in regulatory policies, difficulties in managing retail brokerage staff and other unforeseeable reasons. Since March 2013, the CSRC has permitted the PRC securities companies to establish more branches, which may further intensify the competition in the securities brokerage business in the PRC and the securities brokerage commission rate may decrease accordingly. We may fail to maintain our current market position and competitiveness, which could have a material adverse effect on our business, financial condition, results of operations and prospects.

- Our investment banking business is subject to various risks in the underwriting and sponsorship of securities and there can be no assurance that the underwriting commission and sponsorship fees can be sustained. Offerings of securities in the PRC, especially initial public offerings, are subject to approvals by various regulatory authorities. The timing and results of these regulatory reviews and approvals are beyond our control and the listings of securities underwritten and sponsored by us may be significantly delayed or even terminated due to unfavourable market conditions and fluctuations in the capital markets. If any project fails to complete on time or at all for any reason, we may not receive sponsor fees and underwriting commissions as planned or at all. If we underwrite securities offerings on a firm commitment basis, we may be required to purchase some or an entire unsubscribed portion for our own account, which could adversely affect our liquidity or even result in losses. Furthermore, acting as a sponsor in the securities offering and listing, we may be subject to regulatory sanctions, fines, penalties or other disciplinary actions in the PRC due to inadequate due diligence in connection with an offering, fraud or misconduct committed by issuers, their agents, other sponsors or ourselves, misstatements and omissions in disclosure documents, or other illegal or improper activities that occur during the course of the sponsorship, which may materially and adversely affect our reputation, business and results of operations.

Our financial leasing business may be subject to various risks.

Our financial leasing business may be subject to various risks, including but not limited to:

- The value of collateral or guarantee securing our leases and the assets underlying such leases, which are disposed of upon repossession, may be inadequate to cover related finance lease receivables. We usually request the lessees to provide collateral and/or guarantee to secure the obligations under the lease agreements. The value of collateral and/or assets underlying our leases may decline due to various factors such as damage, devaluation, loss or reduced market demand. A significant deterioration in the financial condition of guarantors under our leases could significantly decrease the amounts we may recover under such guarantees. We conduct periodic impairment tests for collateral and assets underlying our leases. If the value of the collateral or assets underlying our leases is determined to be inadequate to cover the related finance lease receivables, we may request for additional collaterals or guarantees. Declines in the value of collateral, guarantees or assets underlying our leases or our inability to obtain additional collateral or guarantee may result in impairment losses and require us to make additional provisions for impairment losses on our finance lease receivables, which may materially and adversely affect our financial leasing business, financial condition and results of operations.

- We may not be able to successfully enforce our rights to the underlying collateral or guarantees to our leases or our rights to repossess the assets underlying such leases for our financial leasing business. For our financial leasing services, we usually request the lessees to provide collateral or guarantees for the leases with specific guarantee agreements. The lessees and guarantors of our finance leases are generally third parties with respect to us, our shareholders or directors or any of their respective associates. In the event of any material default on interest payment terms, we are entitled to enforce our security rights and/or repossess and dispose of the assets underlying our leases to realise their value. Although we could apply to a PRC court for enforcement of a guarantee or the repossession of the assets underlying our leases upon the event of default, the procedures for liquidating or otherwise realising the collateral value of tangible assets, enforcing the rights to a guarantee, or repossessing the assets underlying the leases are usually time-consuming and it is uncertain whether the local court's judgement would be enforceable. In addition, under PRC law, our rights to any collateral securing our leases may be subordinated to other claims. If we are unable to bring an enforcement action with respect to any collateral or guarantee securing the assets underlying our leases for repossession and disposal on a timely basis, it may have a material adverse effect on the asset quality, financial condition or results of operations of our financial leasing operations.

- Our provision for impairment losses on finance lease receivables and prepayments for equipment leasing may not be adequate to cover future credit losses, and we may need to increase our provisions for impairment to cover such future credit losses. As at 31 December 2018, 2019 and 2020 and 30 June 2021, we made provisions for impairment losses on finance lease receivables and prepayments for equipment leasing of RMB1,851.5 million, RMB2,769.7 million, RMB2,317.8 million and RMB2,291.8 million, respectively. The amount of such provisions is determined on the basis of our internal provisioning procedures and guidelines and relevant regulatory requirements with consideration of certain other factors. Our provisions for impairment losses on receivables from finance lease receivables and prepayments for equipment leasing may prove to be inadequate if adverse changes occur in the PRC economy or if other events adversely affect specific customers, industries or markets. Under such circumstances, we may need to make additional provisions for impairment losses on our finance lease receivables and prepayments for equipment leasing, which could significantly reduce our profit and may materially and adversely affect our business, financial condition, results of operations and prospects.

Our trust business faces the risks of failure to pay the principals and investment returns to the investors under any trust plans as scheduled, which, if happened, may materially and adversely affect our trust business.

We provide various trust plans for investors through our subsidiary Jingu Trust. In the process of launching trust plans, we need to inform investors about the amount of funds raised, duration and expected returns of the trust plans. The investment projects of the trust plans launched by Jingu Trust mainly focus on industries such as infrastructures, manufacturing and trade and real estate. In the case of any downturn or significant slowdown in such industries, we may not be able to collect the principals and/or expected investment returns of our trust plans. If we fail to pay the principals and expected investment returns to investors in accordance with our expectations when the trust expires, the reputation of our trust business will be damaged and the confidence and sentiment of investors towards our existing and future trust plans will be affected, which may adversely affect the results of operations of our trust business. In addition, in the event that any assets incur losses due to any violation or misconduct by Jingu Trust in performing its management obligations or conducting its trust business, Jingu Trust may need to compensate its investors with its own funds. Under such circumstances, the asset quality, financial condition and results of operations of Jingu Trust may be materially and adversely affected.

Our asset management, fund management and trust business depend largely on our ability to raise funds from investors and retain the funds raised. A significant decline in the size of the AUM and poor management performance may materially and adversely affect our asset management, fund management and trust business.

Our ability to raise funds for our asset management business depends on a number of factors, including macroeconomic factors affecting the PRC's economy as well as significant volatilities in its capital markets, many of which are beyond our control. Investors may reduce or withdraw their investments due to market volatility and unfavourable economic conditions as well as when the investment objective is satisfied. Poor performance of our asset management plans could also make it more difficult for us to raise new capital. Our investors and potential investors assess our asset management performance by market benchmarks and performance of our competitors, which may affect our ability to raise funds for existing and future asset management plans. To the extent that economic and market conditions deteriorate, we may be unable to raise sufficient funds to support the investment activities of future asset management plans. If we fail to raise funds. the financial condition and results of operations of our asset management business could be materially and adversely affected.

We charge management fees based on the size of assets of mutual funds and trust plans under our management. In addition, we may earn performance fees for our private equity fund management services as well as our collective and targeted asset management plans. Investment performance affects the scale of our AUM and our ability to retain existing clients and secure new clients. Limitations on investment options and hedging strategies, as well as market volatility, could limit our ability to provide stable returns for our clients and retain their investments under our management. Market volatility, adverse economic conditions or inability to outperform our competitors or market benchmarks may reduce our AUM or affect the performance of the assets, funds or trust plans under our management. In the event of any circumstances above, our clients may withdraw their investments from our asset management plans or mutual funds or terminate the trust contracts prior to the expiration dates. Our clients may also request us to lower our management fees, and the performance fees, which are calculated as a percentage of investment returns, may also decline. Any of the foregoing circumstances could have a material adverse effect on our competitiveness, financial condition and results of operations.

Other Risks Relating to Our Group

Our business operation is exposed to market risk.

Our business includes investments in equity and fixed-income securities and other financial products. Since our adoption of the New Financial Instrument Standards from 1 January 2018, such assets are mainly measured at fair value and under the New Financial Instrument Standards, no impairment allowance will be made for such equity instrument investments. Therefore, our equity and fixed-income securities business is mainly exposed to risk arising from the fluctuation in the PRC capital markets. The downturn of capital market or securities market may result in a decrease of the unrealised gain of investment assets, increase in unrealised losses, or decrease in gains realised upon the disposal of such assets or even would incur losses. Any of the aforementioned circumstances may have a material adverse effect on our business, financial condition, results of operations and prospects.

Our business operation is subject to credit risk.

A substantial proportion of our asset portfolio consists of distressed assets that we acquired from financial or non-financial enterprises. A portion of distressed debt assets which we acquired are not secured by sufficient collateral and guarantees. Please see the section entitled "*Risks Relating to Our Distressed Asset Management – If we are unable to effectively maintain the quality of our distressed debt asset portfolio, or the provisions we make for impairment losses of distressed debt assets may not be sufficient to cover actual losses, our financial condition and results of operations may be materially and adversely affected.*" in this Offering Circular. Therefore, we are subject to credit risks associated with the deteriorating credit quality of the relevant debtors and we may occur losses due to increased delinquencies.

Our financial services are also subject to different credit risks, primarily including:

- *Banking business*. Our banking business is exposed to credit risk arising primarily from default by our borrowers or guarantors and is also subject to risks related to off-balance sheet credit related commitments. If there is any default by customers and guarantors of credit related commitments in respect of off-balance sheet businesses such as bank acceptance, letter of credit and letters of guarantee, we may need to assume the risk of losses arising from insufficient repayments by customers, which in turn may have a material adverse effect on our financial condition and results of operations.

- *Securities and futures business*. Our credit exposure from securities and futures businesses mainly results from our businesses of margin financing to customers, futures brokerage and repurchase transactions. Margin financing to customers is inherently risky and the inherently heightened risk is magnified when the capital market is volatile. Any default in payment or performance by a customer or counterparty may trigger disputes between customers and us, which may subject us to significant expenses or litigation risks, hence adversely affecting our financial position, results of operations and cash flows.

- *Financial leasing business*. Our financial leasing business is exposed to credit risk arising primarily from the default by the lessees or the guarantors, which may result in deterioration in the quality of our lease receivables portfolio or a decline in the quality of future receivables. In addition, if we fail to effectively mitigate the credit risk and collect our outstanding finance lease receivables, our cash flows from and liquidity condition of financial leasing business could be materially and adversely affected.

We are exposed to credit risk with respect to our investments in proprietary trading activities and securities businesses. These financial assets are also be subject to price fluctuations as a result of changes in the financial market's assessment of the issuer's creditworthiness, delinquency and default rates and other factors. In addition, we may not have sufficient access to resources and trading counterparties to effectively implement our trading and investment risk mitigation strategies and techniques. If our credit exposure becomes overly concentrated in terms of limited asset portfolios, asset types, or number of third parties, or if we fail to effectively manage our credit exposure through our risk management policies and procedures, the volatility of any negative impact of credit exposures could be magnified, and as a result, we may experience significant financial losses that could materially and adversely affect our business, financial condition and results of operations.

Our business operation is exposed to liquidity risk.

Our business is capital intensive and requires a significant amount of cash. As such, sufficient liquidity is crucial to our business operations. We satisfy the liquidity requirement mainly through cash from our operating activities and debt financings. Any decline in our liquidity level may impair the confidence of our customers or counterparties, which may result in loss of business and customers.

Factors which may adversely affect our liquidity level include unfavourable changes to macroeconomic environment, policies or money market, our failure to maintain current and future financing arrangements on commercially acceptable terms, decreases in recovery of cash from disposal of assets due to unfavourable changes in capital markets, firm-commitment underwriting transactions under investment banking business, failure to realise the value of invested financial assets at a reasonable price, concentrated holding of certain assets or asset categories, mismatching of assets and liabilities maturity, tightened regulatory requirement, other changes in regulations or weakened market and customer sentiments. If we are unable to generate sufficient cash from operating activities to meet our liquidity needs, we would be required to seek external financing.

Our risk management policies and procedures and internal controls, as well as the risk management tools available to us, may not be adequate or effective in identifying or managing risks to which we are exposed.

The complexity of our operations and products exposes us to various risks, including market risk, credit risk, operational risk, liquidity risk, compliance risk, legal risk and other risks. We have established risk management and internal control systems and procedures to manage potential risks associated with the financial services and products we offer, and we have been dedicated to continuously improving these systems and procedures. Please see the section entitled "*Risk Management*" in this Offering Circular. However, the design and implementation of such systems, including internal control environment, risk identification and evaluation, effectiveness of risk control and information communication are restricted by the information, tools, models and technologies available to us, and our systems may not be adequate or effective in identifying or mitigating our risk exposure in all market environments or protecting us against all types of risks. Our risk management and internal control systems require constant monitoring, maintenance and continual improvements. Our efforts to maintain these systems may be ineffective or inadequate.

The effectiveness of our risk management and internal control systems and procedures may also be adversely affected by misjudgement, clerical mishandling and errors, reporting errors or our limited experience which will affect our abilities to make accurate, complete, up-to-date or proper evaluations. Many of our methods for managing risk exposure are based upon observed historical market behaviour or data. Future risk exposure can be significantly greater than what these methods have historically estimated. Moreover, the information and empirical data that we rely on may quickly become obsolete as a result of market and regulatory developments, and our historical data may not be able to adequately reflect risks that may emerge from time to time in the future.

In addition, financial institutions typically utilise various financial instruments to manage risks associated with their businesses. The current status of the financial markets in the PRC and current PRC laws and regulations, however, restrict the types of financial instruments we may use to mitigate or hedge different risks. Therefore, the risk management tools available to us are limited, which in turn limits our risk management capability and effectiveness. As a result, we may be unable to take timely and appropriate measures to manage our risks due to the ineffectiveness of risk management methods and techniques adopted by us.

We cannot assure you that our risk management and internal control systems are adequate and effective. Failure to address any internal control matters and other deficiencies in a timely and effective manner may result in investigations. disciplinary actions or even prosecution being taken against us or our employees, or disruption to our risk management system, any of which may have a material adverse effect on our business, financial condition and results of operations.

We are subject to various capital requirements, which may restrict our business activities.

We are subject to capital requirements imposed by regulatory authorities. According to the requirements of the Measures for the Capital Management of Financial Asset Management Companies (Provisional) (《金融資產管理公司資本管理辦法(試行)》) of the CBIRC, and the consolidated financial leverage ratios of the Group shall not fall below 8%. For the Company itself, the core tier 1 capital adequacy ratio shall not fall below 9%, the tier 1 capital adequacy ratio shall not fall below 10%, and the capital adequacy ratio shall not fall below 12.5%. In addition, the leverage ratio of the Company shall not fall below 6% and the liquidity coverage ratio shall not fall below 100%. However, such requirements are subject to further amendments by the CBIRC, including the standards for risk-weighted assets. If the CBIRC increases the minimum capital adequacy requirements or changes the methodology for calculating regulatory capital or capital adequacy ratios, we will be subject to new capital adequacy requirements.

In addition, the minimum capital of subsidiaries within our Group which are engaged in banking, securities and futures, financial leasing, trust and other financial services shall meet the applicable regulatory requirements set forth by their respective regulatory authorities. Therefore, our business activities may be restricted.

- *Banking business*. According to the requirements of the CBIRC, NCB China is required to maintain a minimum core tier 1 capital adequacy 7.5%, a minimum tier 1 capital adequacy ratio of 8.5% and a minimum capital adequacy ratio of 10.5%. If NCB China fails to meet the capital regulatory requirements, the CBIRC may take regulatory measures depending on the category of commercial banks NCB China belongs to, including requiring NCB China to control the growth of risk assets, restricting or prohibiting its expansion of branches, conducting new businesses and limiting its distributions of dividends.

- *Securities business*. On 23 January 2020, the CSRC promulgated the Provisions on Calculation Basis for Risk Control Indicators of Securities Companies (《證券公司風險控制指標計算標準規定》) ("**Calculation Basis**") which are effective since 1 June 2020. Under the Calculation Basis, Cinda Securities' risk coverage ratio[1] shall not fall below 100%, its liquidity coverage ratio[2] shall not fall below 100% and its net stability capital ratio[3] shall not fall below 100%. The net capital of a securities company is a comprehensive risk control indicator which is calculated based on its net assets with adjustments to its assets and liabilities items and relevant businesses in accordance with its business scope and liquidity features of its assets and liabilities. Its net capital equals to net assets minus risk adjustment to assets minus risk adjustments to contingent liabilities, and making other adjustments recognised or approved by the CSRC.

- *Financial leasing business*. According to the minimum capital requirements in the Administrative Measures for the Capital of Commercial Banks (Provisional) (商業銀行資本管理辦法(試行)) issued by the CBRC on 7 June 2012, which also applies to the financial leasing business, Cinda Leasing is required to maintain a minimum capital adequacy ratio of 8% since 1 January 2013. Further, pursuant to the Notice Regarding the Arrangement of Commercial Banks (Provisional) (中國銀監會關於實施《商業銀行資本管理辦法(試行)》過渡期安排相關事項的通知) issued by the former CBRC on 30 November 2012, Cinda Leasing is required to gradually increase the above ratio to achieve a minimum capital adequacy ratio of 10.5% by 31 December 2018.

- *Trust business*. According to the requirements of the CBIRC, the net capital of Jingu Trust shall not be less than RMB200 million, and shall not fall below 100% of the risk capital and 40% of the net assets. The net capital for trust companies is defined as net assets minus risk mitigation for all assets minus risk mitigation for contingent liabilities minus other risk mitigation determined by the CBIRC.

If we fail to meet any regulatory capital requirements set forth by regulatory authorities, regulatory authorities may impose penalties on us or limit the operation of our business, which could, in turn, have a material adverse effect on our financial condition and results of operations.

Our operations depend on key management and professional staff and our business may be materially and adversely affected if we are unable to recruit, train or retain a sufficient number of qualified employees.

The success of our business, to a large extent, depends on our ability to attract and retain key personnel who possess in-depth knowledge and understanding of, and extensive working experience in, the financial industry. These key personnel include, among others, senior management, professional staff in the distressed debt assets industry, experienced investment managers, banking and finance professionals, product development personnel, research analysts, marketing and sales staff, legal professionals, risk management personnel, IT specialists and other operational personnel. Therefore, we devote considerable resources to recruiting and retaining these personnel. However, the market for quality professionals is highly competitive and we face increasing competition in recruiting and retaining these individuals as other asset management companies and financial institutions are vying for the same pool of talent. Our business and financial condition could suffer if we are unable to retain our management team, including

---

1 Risk coverage ratio = net capital/sum of all types of risk capital reserve × 100%

2 Liquidity coverage ratio = high-quality liquid asset reserves/the difference between cash outflows over the next 30 days and cash inflows over the next 30 days × 100%

3 Net stability capital ratio = available stability capital/stability capital required × 100%

our senior management and operating management, and other high-quality personnel, including our management in the business, banking, finance, investment and information and technology ("**IT**") departments, or cannot replace them upon their departure in a timely manner. In the face of the intense competition for talent, we may need to offer higher salaries and other benefits to recruit and retain qualified professionals and additional costs may be incurred.

Some of our key employees are subject to non-compete arrangements. However, we cannot ensure that such arrangements can be fully and legally enforced. If any of our senior management or other key personnel joins or establishes a competing business, we may lose some of our customers, which may have a material adverse effect on our business.

Failures of or inadequacies in our IT systems could have a material adverse effect on our business, financial condition and results of operations.

Our business operations depend heavily on our business, accounting and other data processing systems. The failure of normal operation or even inability in operation of any of such systems will expose us to financial losses, business disruption, intervention of regulatory authorities or reputational damage.

The proper functioning of our business processing, accounting, financial controls, risk management, customer service and other business is dependent on our IT systems and communication networks with the third parties. If the fundamental system which supports our business suffers from malfunction or disruption, including system problems or communication disruption of our systems and the systems of any third parties we engaged may be indirectly affected, which will have a material adverse effect on our ongoing business. These failures could be caused by, among other things, hardware failure, software program errors, computer virus attacks, network failure, conversion errors due to system upgrading or system relocation, failure to implement new IT initiatives, human errors, natural disasters, war, terrorist attacks, blackouts and unanticipated problems of facilities, many of which are beyond our control. Although we back up the business data regularly and we have established the remote disaster recovery backup, any prolonged disruption to or malfunction in the operation of our IT systems could limit our ability to monitor and manage data, control financial and operation conditions, monitor and manage our risk exposures, keep accurate records, provide high-quality customer service and develop and sell profitable products and services. Recovery from such disasters may be unable to mitigate our losses incurred during such malfunction and disruptions. In addition, insurances or other precaution measures may only partly, if at all, indemnify our losses.

In addition, our subsidiaries provide online financial services such as securities and futures brokerage services to our customers. Disruption to or instability of our online financial services platform or mobile service platform could impair our ability to serve our customers and execute trades on their behalf and on our own account, which could materially and adversely affect our results of operations and reputation.

We update our IT systems and introduce new IT systems from time to time. However, delays, system failures or other accidents may occur during such system upgrades or introduction of new systems. In addition, the upgraded or new IT systems may not be able to achieve the anticipated processing capacity and availability and may also not be able to meet the needs of our business growth in the future. Our failure to address these problems promptly, including any delay in the implementation of any upgraded or new information systems, could result in our inability to perform, or delays in performing critical business operational functions, the loss of key business data, or a failure to comply with regulatory requirements, which could have a material adverse effect on our business, financial condition and results of operations.

Our historical financial information is not necessarily indicative of our future performance, and we may not be able to continue acquiring additional DES Assets or explore other revenue resources, and as a result, our revenues may be volatile due to the nature of our business.

Our historical financial information included in this Offering Circular is not an indication of our results of operation in the future. Our future results of operations may change materially if our future growth does not follow our historical trends for various reasons, including factors beyond our control, such as changes in economic environment, competitive landscape and financial markets.

From time to time, including recent financial periods, we have derived a significant portion of income from a few major disposals of distressed assets and DES Assets in our distressed asset management business. In the future, we may dispose of debt or equity assets that may contribute to a significant portion of our income during the period. Income earned from each disposal of assets depend on the specific conditions of such assets, including the duration for holding the assets, operating conditions of creditors or companies owned by us, opportunities in the market and our bargaining power, and general economic and market conditions. As a result, the returns on historical disposal of assets may not be indicative of our returns on disposing of other assets in the future. In addition, we formulate plans for the assets to be disposed of and estimate income from such disposals for each year based on our operation development, quality of assets, business growth strategies, and financial and operation targets. Furthermore, after disposing of part or all of our existing DES Assets, we may not be able to continue acquiring additional DES Assets and have to explore other sources of income. Therefore, the scale of assets we disposed of and income therefrom for each year in the past do not reflect our disposal plans and possible income in the future.

We had net cash outflows from operating activities in the years ended 31 December 2018 and 2019. We may continue to experience cash outflows from operating activities and, as a result, we may need to obtain additional funding from other sources in the future.

For the years ended 31 December 2018 and 2019, our net cash outflows from operating activities amounted to RMB27,592.2 million and RMB22,130.2 million, respectively. In 2020, the net cash inflow from our operating activities amounted to RMB36,793.7 million. We cannot ensure you that we will not have net cash outflows from operating activities in the future.

Net cash outflows used in our operating activities may harm our ability to acquire distressed assets, expand our operations and make additional capital expenditures. We may need to obtain external financing to satisfy our financial needs and repay our debts. In case we are unable to repay the debts and interests as scheduled, our creditors may accelerate repayment of the relevant debts. We may not be able to achieve or sustain positive cash flows from operating activities, and even if we achieve positive operating cash flows, such cash inflows may not be sufficient to satisfy our anticipated capital expenditures and other cash needs.

We may be unable to obtain sufficient funds on commercially acceptable terms to support our business operations. If we cannot meet our debt obligations or terms under other contracts, we may be in disputes or defaults under such contracts, which will cause us to repay our debts before the maturity dates.

A substantial amount of funds is required to support the growth of our asset portfolio and future expansion of our business operations.

We have been gradually expanding our commercial financing channels, which primarily including (i) cash generated from operations, (ii) borrowings from banks and non-banking financial institutions, and (iii) proceeds from the issuance of bonds and equity. As at 31 December 2018, 2019 and 2020 and 30 June 2021, the balance of our borrowings amounted to RMB570,870.2 million, RMB536,591.3 million, RMB556,912.1 million and RMB579,614.7 million, respectively, which were primarily from commercial channels. For the years ended 31 December 2018, 2019 and 2020 and for the six months ended 30 June 2020 and 2021, our interest expenses on such borrowings were RMB30,492.7 million, RMB26,122.3 million, RMB21,589.8 million, RMB10,532.4 million and RMB11,449.2 million, respectively. As at 31 December 2018, 2019 and 2020 and 30 June 2021, the balance of our bonds issued amounted to RMB283,115.1 million, RMB304,849.6 million, RMB355,777.5 million and RMB380,668.5 million, respectively. For the years ended 31 December 2018, 2019 and 2020 and for the six months ended 30 June 2020 and 2021, our interest expenses on bonds issued amounted to RMB10,838.3 million, RMB12,046.3 million, RMB13,287.8 million, RMB6,500.6 million and RMB6,990.6 million, respectively.

We may need additional funding for our further acquisition of distressed debt and other investment opportunities. If there are changes in international and/or local macroeconomic conditions and policies, or if we fail to maintain our existing and future loan arrangements with commercial banks, we may not be able to continue to obtain adequate funding on commercially reasonable terms, or at all. If sufficient financing is not available to meet our needs, or cannot be obtained on commercially acceptable terms, or at all, we may not be able to fund our operations, investments and business expansion, introduce new business or compete effectively.

Furthermore, our subsidiaries or Company Branches may need financial support from us to meet their liquidity requirements during the ordinary course of their businesses. Some of our subsidiaries may need additional capital injections from us to meet applicable regulatory requirements. We may not be able to provide sufficient funds to our subsidiaries or Company Branches in a timely manner, or at all, which could materially and adversely affect our financial condition and results of operations.

The Group has a large number of subsidiaries, whether onshore or offshore, which operate and provide a wide-range of financial services. The Group from time to time and during its ordinary course of business enter into financing agreements or investment arrangements with financial institutions and relevant parties. There is no assurance that non-compliance or dispute will not occur under such agreements or arrangement, or if they occur, that they will be properly rectified.

If we are unable to comply with the restrictions and covenants in current or future debt obligations and other agreements, there could be a default under the terms of these agreements. In the event of a default under these agreements which are not rectifiable, or rectifiable but not rectified, unless we are able to obtain timely waivers or otherwise remedy such breaches, the creditors of the debt could terminate their commitments to lend to us, accelerate repayment of the debt, declare all amounts borrowed due and payable or terminate the agreements, as the case may be. Furthermore, some of the Group's debt agreements contain (or may in the future contain) cross-acceleration or cross-default provisions. As a result, any default by the Company or any other member of the Group, under one debt agreement may cause the acceleration of repayment of debt or result in a default under its other debt agreements. If any of these events occur, there can be no assurance that our assets and cash flows would be sufficient to repay in full all of the debts that become due, or that we would be able to find alternative financing. Even if we could obtain alternative financing, there can be no assurance that such financing would be on terms that are favourable or acceptable to us.

Our business, financial condition, results of operations and prospects may be materially and adversely affected if we are unable to manage challenges arising during our growth.

Our efforts to integrate our various business operations and coordinate among our Company Branches and subsidiaries may not be effective or timely. In addition, we cannot assure you that such growth will continue in the future. The expansion of our business activities poses various challenges to us, including but not limited to:

- meeting the higher requirements for capital and cost controls to satisfy all relevant capital regulatory requirements, including the minimum capital adequacy ratio, solvency margin ratio and net capital requirements, as well as other capital needs;

- strengthening our risk management capabilities and IT systems to effectively manage risks associated with various businesses and services;

- managing our distressed debt assets, AUMs, finance lease receivables and other financial assets;

- recruiting, training and retaining management, investment and finance professionals, technical personnel and sales staff with sufficient experience and knowledge;

- developing new distribution channels for our products and services; and

- maintaining and developing our brand and reputation.

Our investments, acquisitions and business initiatives may expose us to various potential risks, including risks associated with the integration of new business lines, operations and personnel, the diversion of resources from our existing businesses and technologies, the potential loss of, or harm to, relationships with employees and customers, as well as other unforeseen or hidden liabilities. If we are not able to manage future growth successfully, our business, financial condition, results of operations and prospects could be materially and adversely affected.

Expansion of our offerings of products and services may expose us to challenges and risks.

In recent years, we have been expanding our financial services, including banking, securities and futures, mutual funds, trust and financial leasing and will continue to, as permitted by the PRC regulatory authorities, expand our offerings of products and services. These new businesses may have different operational parameters and risk profiles as compared to our more established existing businesses, and we may not have sufficient operating experience to effectively manage these new businesses and the corresponding risks.

These new businesses may expose us to challenges and risks, including but not limited to:

- insufficient experience, expertise and skills in offering new products and services and dealing with new counterparties and customers;

- stricter regulation and increased credit risks, market risks and operational risks;

- failure to achieve investment returns from our new businesses;
- failure to hire sufficient qualified personnel to support the offering of new products and services;
- lack of market and customer acceptance of our new products and services;
- failure to make accurate analysis or judgement on market conditions of our new business;
- failure to obtain sufficient financing from internal and external sources to support our business expansion; and
- failure to enhance our risk management capabilities and IT systems in a timely manner to support new businesses and a broader range of products and services.

If we are unable to achieve the expected results with respect to our offering of new products and services, our business, financial condition, results of operations could be adversely affected.

We are subject to extensive regulatory requirements and the non-compliance with the applicable regulatory requirements may result in penalties.

We are subject to various regulations by PRC and overseas regulatory authorities and we may be subject to regulatory proceedings from time to time.

Our distressed asset management business is subject to the supervision of the MOF and the CBIRC. Our financial services are subject to the supervision of various authorities, including the CBIRC, the CSRC and the PBOC. Our banking business carried out by NCB is subject to supervision by the HKMA in Hong Kong and the CBIRC and the PBOC in the PRC. These regulatory authorities impose requirements on our businesses in various aspects, including capital adequacy, capital deposits, financial leverage ratios and deposit requirements, capital usage, qualification of shareholders and key personnel, types of products and services offered, investment portfolio, as well as the number and locations of branches. Compliance with applicable laws, rules and regulations, to a certain extent, may restrict our business activities and require us to incur increased expenses, restate or write down the value of our assets or liabilities, and devote considerable time and resources to such compliance.

We are subject to periodic and non-periodic inspections and examinations by the CBIRC, the CSRC, the PBOC, the SFC, the HKMA and other PRC or Hong Kong governmental authorities, including tax, industry and commerce administration, audit and social security authorities in respect of our compliance with PRC and Hong Kong laws and regulations.

In the past few years, due to our non-compliance with certain regulations, we had been subject to penalties and sanctions by tax, CBIRC and other regulatory authorities, including fines, order for rectification and other regulatory measures and a few of our branches and subsidiaries have been prohibited from conducting new business for a prescribed period due to the violation of certain domestic regulatory requirements. We had been penalised for risk mismanagement, due diligence, investment and other misconduct during the operation of our business, which had resulted certain fines. We have established in general comprehensive risk management systems and internal control procedures to monitor our operations and overall compliance. Although we believe that these non-compliance incidents and relevant penalties will not have a material adverse effect on our financial positions and operations, the occurrence of such non-compliance incidents and penalties have drawn our senior management's great attention and we have actually taken actions to effectively rectify the existing issues and will continue to examine and improve our risk management systems and internal control procedures in order to further strengthen our ability to detect and prevent similar and other non-compliance incidents.

However, we may not be able to meet all applicable regulatory requirements, or comply with all applicable regulations or guidelines at all times, and we cannot ensure that the results of periodic and non-periodic inspections by the MOF, CBIRC or other regulatory authorities will not have any adverse effect on us. Any non-compliance will result in sanctions, fines, penalties or other disciplinary or remedial actions, including, among other things, a downgrade of our regulatory rating, limitations or prohibitions on our future business activities, correction, adjustments or restatements of our financial statements, which may limit our ability to launch new businesses and harm our reputation, and in turn will materially and adversely affect our financial condition and results of operations. Please see section "*Description of the Group – Legal and Regulatory Proceedings*" in this Offering Circular for further information.

We may not be able to achieve the anticipated intra-group synergies through our implementation of group management and control of our branches and subsidiaries.

We operate our distressed asset management business through the Head Office (the "**Head Office**") and Company Branches (the "**Company Branches**"). We have 33 Company Branches (including Hefei Operation Support Centre) in 30 provinces, autonomous regions and municipalities in mainland China and 7 subsidiaries as platforms for providing distressed asset management and financial services in mainland China and Hong Kong. Our Company Branches are located in various geographical regions and are authorised to conduct their operations and management within our management system. We conduct our financial investment and asset management business and provide a wide range of financial services, including banking, securities and futures, mutual funds, trusts and financial leasing services primarily through our subsidiaries in the PRC and Hong Kong. Certain of our subsidiaries also have other shareholders holding significant portions of equity interests in such subsidiaries and have a certain degree of management autonomy. We cannot assure you that our strategies and policies are implemented effectively and consistently in each subsidiary and branch.

In addition, due to the large number of our subsidiaries and Company Branches, their broad geographic distribution, limitations in our information systems and other factors, we may not always be able to effectively detect or prevent operational or management issues at these subsidiaries and Company Branches on a timely basis, and information available to and received by our management may not be accurate, timely or sufficient to manage risks and plan for and respond to market and other changes in our operating environment. If we are unable to effectively implement our centralised management and supervision of our subsidiaries and Company Branches, or implement our strategies and policies consistently throughout the Group, our business, financial condition, results of operations, prospects and reputation could be materially and adversely affected.

We have formulated certain strategies to achieve and enhance collaboration among various business lines and intra-group cooperation between our Company Branches and our subsidiaries so as to further enhance synergies. However, these strategies are still under development. There can be no assurances that we will be able to fully develop or implement these strategies or that we will realise the anticipated benefits of these strategies. Implementation of these strategies could also be affected by a number of factors beyond our control, including operating difficulties, increased operating costs, regulatory developments, deterioration in general or local economic conditions or increased competition. In particular, the applicable PRC regulatory framework allows the regulatory authorities to oversee and inspect the cooperation within the Group, and licences may be required for certain activities. If the cooperation within the Group is deemed a violation of any regulations in the PRC or other territories, our intra-group cooperation and collaboration may be adversely affected, and we may be subject to relevant legal liabilities or administrative penalties and our reputation may be harmed, all of which would have a material adverse effect on our business and prospects.

We may not be able to detect money laundering, terrorism-funding, economic sanctioned and other illegal or improper activities in its business operations completely or on a timely basis.

We are required to comply with applicable anti-money laundering laws, anti-terrorism laws, economic sanctions programmes and other regulations in the PRC and overseas. The PRC Anti-money Laundering Law (中華人民共和國反洗錢法) and the relevant anti-money laundering laws and regulations in Hong Kong require financial institutions to establish sound internal control policies and procedures with respect to anti-money laundering monitoring and reporting activities. The United States, the United Kingdom, the European Union, the United Nations Security Council and other applicable jurisdictions also administer a range of anti-terrorism and economic sanctions programs, including broad embargoes against certain countries, such as Iran, Sudan and Syria, as well as targeted sanctions against terrorists, international narcotics traffickers and individuals engaged in activities related to the proliferation of weapons of mass destruction.

Our existing policies and procedures for the detection and prevention of money laundering activities, terrorism-funding activities and economic sanctions through our business platform have only been adopted in recent years and may not eliminate instances in which we may have been used by other parties to engage in money laundering and other illegal or improper activities. In the event that we fail to fully comply with applicable laws and regulations, the relevant government agencies may freeze our assets or impose fines or other penalties. In addition, under the economic sanctions administered by the United States, penalties can potentially be imposed on non-U.S. persons under U.S. secondary sanctions for engaging in activities with sanctioned individuals, countries, regimes, and organisations, including loss of access to clearing U.S. dollar payments through a U.S. correspondent bank. There is no assurance that there will be no failures in detecting and preventing money laundering, terrorism funding, economic sanctioned or other illegal or improper activities which may materially and adversely affect our reputation, business, financial condition and results of operations and its ability to meet our payment obligations under the Offshore Preference Shares.

We may not be able to detect and prevent fraud or other misconduct committed by our employees, representatives, agents, customers or other third parties in a timely manner.

We may encounter fraud or other misconduct committed by our employees, representatives, agents, customers or other third parties, which could result in violations of laws and regulations by us and expose us to regulatory sanction. Even if such instances of misconduct do not result in any legal liabilities on our part, they could cause serious reputational or financial harm to us.

Our internal control procedures are designed to monitor our operations and ensure overall compliance. However, our internal control procedures may be unable to identify all incidents of non-compliance or suspicious transactions in a timely manner or at all. Furthermore, it is not always possible to detect and prevent fraud and other misconduct. The precautions we take to detect and prevent such activities may not be fully effective. We cannot assure you that fraud or other misconducts will not occur in the future. Our failure to detect and prevent fraud and other misconducts in a timely manner may have a material and adverse effect on our business reputation, financial condition and results of operations.

We may not be able to properly identify and deal with conflicts of interest, which could materially and adversely affect our business.

As we expand the scope of our businesses and client base, it becomes increasingly important for us to be able to address potential conflicts of interest, including situations where two or more interests within our businesses legitimately exist but are in competition or conflict. We may encounter conflicts of interest where (i) our services to a particular client or our own investments are in conflict, or are perceived to conflict, with the interests of another client; (ii) any of the non-public information we obtain through business channels is disclosed to our other business departments; and (iii) we may be a counterparty of an entity to which we also provide financial services or with which we have other business relationships. Our failure to prevent the imprudent use of information or manage conflicts of interest could harm our reputation and affect client confidence. In addition, potential or perceived conflicts of interest may also give rise to litigation or regulatory actions. Any of the foregoing situations could adversely affect our business, financial condition and results of operations.

We may be involved in legal and other disputes from time to time due to the nature of our businesses, which may expose us to potential liabilities.

We are often involved in legal and other disputes in the ordinary course of our businesses. In our experience, such legal and other disputes relate to a variety of reasons, including, without limitation, (i) we seek to recover outstanding amounts from our debtors, repossess or dispose of the collateral or enforce guarantees; (ii) we and the counterparties involved in acquisition or disposal of distressed assets seek court orders to affirm each side's legal rights; (iii) some of the entrustment agreements in connection with our distressed asset management services may contain unclear provisions of our obligations as trustee, based on which our clients may allege that we have not fulfilled our obligations as trustee if the disposal of the distressed assets does not achieve the anticipated results; (iv) disagreements with the DES Companies and their controlling shareholders in relation to our rights in the DES Companies and certain contractual arrangements; or (v) for our restructuring, custody and liquidation of Distressed Entities business and special situations investment business, the creditor of an entity under custody, liquidation and restructuring or other related parties may consider that we shall be legally liable for such entity, or the legal representative of an entity under custody, liquidation and restructuring or other related stakeholders may challenge our qualifications or legal status as custodial liquidator. Lawsuits and arbitration claims against us may arise in the ordinary course of our business. Where we assess that there is a probable risk of loss, we will make provisions for the loss based on the relevant policies. We will also make provisions with respect to pending legal proceedings and other disputes against us. Please see the section entitled "*Description of the Group – Legal and Regulatory Proceedings – Litigations and Arbitrations*" in this Offering Circular. However, we cannot assure you that the judgements in any of the litigations in which we are involved would be favourable to us or that our provisions made for the litigations and other disputes are adequate to cover all the losses arising from legal proceedings or other disputes. In addition, if our assessment of the risk changes, our views on provisions will also be changed. We expect that we will continue to be involved in various legal and other disputes in the future, which may expose us to additional risks and losses.

In addition, we may have to pay legal costs associated with such disputes, including fees relating to appraisal, auction, execution and legal advisory services. Litigation and other disputes may lead to inquiries, investigations and proceedings by regulatory authorities and other governmental agencies and may result in damage to our reputation, additional operating costs and diversion of resources and management's attention from our core business. The disruption of our business due to judgement, arbitration and legal proceedings against us or adverse adjudications in proceedings against our directors, senior management or key employees would have a material adverse effect on our business, reputation, financial condition, results of operations and prospects. In addition to the aforesaid adverse effects, according to the relevant requirements of the Supreme People's Court of the PRC, no people's court shall accept any lawsuit involving disputes between us and state-owned commercial banks regarding transfer of policy distressed financial assets. Relevant provisions remain unclear on whether the disputes arising from policy DES could be within the scope of acceptance by the people's courts. For more information, please see the section entitled "*Regulation and Supervision in the PRC and Hong Kong – Lawsuits Related to Acquisition, Management and Disposal of Distressed Assets*." The abovementioned situation may have an adverse effect on legal remedies sought by us.

Our overseas business may be subject to the risks associated with relevant businesses.

We may continue to operate our overseas business and explore opportunities in other overseas markets in the future. In operating our business internationally, we may not be able to attract a sufficient number of new clients due to our limited presence and brand recognition in overseas markets and may fail to effectively compete. In addition, such expansion may increasingly subject us to risks inherent in conducting business internationally, including but not limited to:

- failure to obtain and renew local government approvals, permits, licenses or documents in a timely manner or at all;

- the possibility of cost overruns and other operating difficulties;

- insufficient management resources, difficulties in recruiting and retaining qualified personnel, as well as potential increase in labour costs;

- difficulties in complying with local legal and regulatory requirements, including labour, industrial and tax regulations;

- lower than expected demand and lack of acceptance by local customers of, or compatibility issues with, our products;

- high sales and marketing costs;

- difficulty in implementing internal control and risk management policies in overseas operations;

- lack of understanding of the local cultural, commercial and operating environment, as well as the financial, management or legal systems in the relevant jurisdictions;

- political, regulatory or macroeconomic environment and fluctuations in foreign exchange rates; and

- restriction on capital outflow imposed by the government.

If we are unable to manage the risks resulting from our operation outside the PRC, our business, reputation, financial condition and results of operations may be adversely affected.

Our largest shareholder is able to exercise significant influence over us and may not act in concert with us or our other shareholders.

As of 30 June 2021, MOF, the largest shareholder of the Company, holds 58.00% of the total issued share capital of the Company and is our largest shareholder. Therefore, the MOF is entitled to exercise significant influence over us, including, among others, matters relating to:

- nomination and election of our Directors and Supervisors;

- determination of business strategies and investment plans;

- determination of dividend distribution;

- change of use of proceeds; and
- review of any plans related to major corporate activities, including mergers, acquisitions or investments.

The interest of the MOF may not be aligned with our or our other Shareholders' interests. As a result, the MOF may take actions that other Shareholders may not agree with or that are not in our or our other Shareholders' best interests. Currently, to the best knowledge of the Company, the MOF has not taken any actions that may not in our or our other Shareholders' best interests.

RISKS RELATING TO THE FINANCIAL INDUSTRY IN CHINA

Fluctuations in the macroeconomic and market conditions could materially and adversely affect our business.

Our business is inherently subject to general macroeconomic conditions and policies and market fluctuations, including financing cost and the volatility of interest rates, inflation, availability of short-term and long-term financing sources, upward and downward trends in the industrial and financial sectors, monetary and fiscal policies, foreign exchange policies and currency fluctuations, restriction on capital outflows, taxation policies and other macroeconomic policies, as well as laws and regulations affecting the financial industries.

Unfavourable financial or economic environments, including the continued global financial uncertainties, have had and may continue to have an adverse impact on investors' confidence and global financial markets. For example, the United Kingdom's exit from the European Union and COVID-19 also brought volatility to the capital markets worldwide, increased foreign exchange volatility and potential negative impact to global economic growth. The current U.S. and China trade tensions may likely to impact the global economy as well, especially the economy in China. In addition, concerns over inflation, energy costs, geopolitical issues, the availability and cost of credit, unemployment rate, consumer confidence, declining asset values, capital market volatility and liquidity issues have resulted in adverse market conditions.

Although the structural transformation and development of the PRC economy provide opportunities for our businesses, adverse financial or economic conditions could adversely affect our businesses, in particular:

- the value of our asset portfolio, including distressed debt assets, DES Assets, stocks, bonds and private equity investment, is closely correlated to monetary policies and credit supply, the performance of capital markets and the market price of commodities. Adverse economic and market conditions could negatively affect the value and returns on our financial assets and investments, which could reduce the value of our trading and investment positions, affect our profitability, limit our liquidity and reduce our opportunities to realise gains and exit from our investments;
- due to the impact of the real estate industry cycle, our income from acquisition and restructuring of distressed debt assets business and investment and financing businesses relating to the real estate industry has decreased and the risk of default has increased, and our income from certain property development projects has decreased due to the weakening domestic demands;

- downturn in macroeconomic conditions and adverse market conditions in China may result in declines in trading volume by our customers and investment and financing activities, which could adversely affect the commission and fee income from our securities brokerage business, margin financing business and underwriting and sponsors' fees from our investment banking business;

- unfavourable economic and market conditions may increase the risk of defaults in the margin loans and financial leases we provide to our customers; and

- adverse economic conditions could affect our ability to effectively deploy capital as well as our ability to raise new funds and attract new investments.

If the adverse financial and economic conditions continue, our business, results of operations and financial position could be materially and adversely affected.

We face intense competition in the PRC financial industry and our business could be materially and adversely affected if we are unable to compete effectively.

For our distressed asset management business, although the distressed asset management industry in China is currently dominated by the five AMCs, namely, Cinda, Huarong, Orient, Great Wall and Galaxy, it is expected to become increasingly competitive and we will also need to compete with local AMCs. Some of these AMCs may have a more established presence in certain areas and more management and technology resources than we do. In recent years, more AMCs have been established by local governments and innovative methods in the disposal of distressed assets involving online business channels began to appear, both of which lowered the entry barrier to the distressed asset management business and increased the competition in the industry.

We may, from time to time, also compete with AMCs and private or foreign financial institutions engaging in the distressed asset disposal and management. Certain local asset management companies may have more simple management structures and procedures in certain regions and business areas. We compete with our competitors engaged in the distressed asset management areas for financial institutions and non-financial enterprises which supply us with distressed assets. Such competition may adversely affect our distressed asset management business by reducing our market shares, the size of our distressed asset portfolios and our revenue from the disposal of distressed assets, and increasing the asset acquisition costs, marketing expenses and competition for mid-level to senior management and qualified professional talents.

We also compete with domestic and international financial institutions in the banking, securities and futures, mutual funds, trust and financial leasing businesses. We compete with these competitors in terms of brand recognition, market shares, marketing and distribution capability, quality of service, financial strength, pricing and the range of products and services offered, and the sophistication of IT systems. If we fail to effectively compete with our competitors, our business, financial condition, results of operations and prospects may be materially and adversely affected.

The financial industry in China is prudently regulated, and our business, financial condition, results of operations and future prospects may be materially and adversely affected by regulatory changes or other governmental policies, including their interpretation and application.

The PRC financial industry is highly regulated. AMCs like us, including their branches and subsidiaries, are subject to regulations on various perspectives, including, capital adequacy ratio, business licenses, the scope of operations, the scope of investments, as well as the specific regulatory requirements for each financial sector, such as banking, securities and financial leasing, in which they operate. For details, please see the section entitled "*Regulation and Supervision in the PRC and Hong Kong*" in this Offering Circular. Our business and operations are subject to changes in policies, laws, rules, regulations and regulatory environment of the PRC relating to the financial industry, including those changes in policies, laws, regulations and other policy changes that affecting our scope of business in certain industries.

In addition, pursuant to applicable laws and regulations in the PRC, we are required to obtain or renew approvals, permits and licenses with respect to our relevant operations from the government. In order to obtain such qualifications, we are required to fulfil requirements of regulatory authorities in various aspects. In case we fail to fulfil such regulatory requirements continuously, our qualifications of operation may be revoked by regulatory authorities, or we may be denied to renew our qualification upon its expiration, or we may fail to obtain the relevant approvals for any new businesses as planned. We cannot assure you that we can obtain or renew all necessary approvals, permits and licenses on a timely basis. Failure to obtain the relevant approvals could subject us to sanctions, fines, penalties, revocation of license or other punitive actions, including suspension of our business operations or restriction or prohibition on certain business activities, or result in failure to commence new businesses as scheduled or falling behind our competitors in such sectors.

As the PRC financial industry is undergoing significant changes, relevant laws and regulations may change from time to time based on the developments of the financial markets. Most of the emerging businesses require further development and improvement and there are uncertainties regarding the enforcement of existing policies and regulations in relation to these new businesses. We cannot assure you that we will be able to adapt to all such changes in laws and regulations on a timely basis. Any changes in regulatory requirements may have a material and adverse effect on our business, financial condition and results of operations. In addition, there may be uncertainties regarding the interpretation and application of new policies, laws, regulations or accounting standards. Failure to comply with the applicable policies, laws, rules, regulations or accounting standards may result in fines and restrictions on our business operations, which could also have a significant impact on our business, financial condition and results of operations.

Significant interest rate fluctuations could have a material impact on our financial condition and results of operations.

As with most financial institutions, our financial condition and results of operations are subject to interest rate risks, primarily associated with our interest income, interest expenses and investment returns on fixed-income securities. The profitability of some of our business lines is sensitive to interest rate fluctuations.

- *Distressed asset management.* We generally adopt fixed return rates for the restructuring agreement in connection with distressed assets at amortised cost. While we take into account the prevailing interest rates in the market when we determine the return ratios, we may not be able to adjust the return ratios pursuant to the changes in the market after we acquire such assets. Such arrangement would prevent us from increasing the interest rates when the rates increase in the market. We also make interest payments on our borrowings from commercial banks and other financial institutions and a majority of our outstanding borrowings have fixed interest rates during their terms. In addition, we have largely matched the terms of our assets with those of our liabilities. As a result, the income for our acquired assets may remain stable when the interest rates increase. However, if interest rate increases in the market and the increases in the return ratios of our projects are lower than the increases in the interest rates of our new borrowings, our profit margin will decrease.

- *Banking business*. NCB's net interest income is affected by changes in interest rates. NCB's interest income is primarily related to amounts due from banks and other financial institutions and loans to customers; In a decreasing interest rate environment, NCB may experience decreases in interest income from interest-earning assets, as its customers may repay existing loans with NCB prior to their maturity through another refinancing that may bear lower rates of interest. In addition, a part of NCB's interest income comes from its investments in debt securities and certificates of deposit, which is also affected by changes in interest rates.

- *Securities business.* We earn interest income from deposits with banks and other non-banking financial institutions, margin financing and securities lending as well as financial assets held under resale agreements. We also make interest payments on deposits that we hold on behalf of our customers, our short-term borrowings and repurchase transactions. In addition, we hold fixed-income debt securities. Our interest income, interest expenses and investment returns on fixed-income debt securities are linked to the prevailing market interest rates. If market interest rates decrease, our interest income would generally decrease. During periods of rising interest rates, our interest expenses and financing costs would generally increase while market prices and our investment returns on fixed-income debt securities will generally decrease.

- *Financial leasing business.* Our financial leasing business is affected by interest rates, including both the interest rates charged to our financial leasing customers and the interest rates we pay for our loans and financing obligations. An increase in interest rates, or the perception that such an increase may occur, could adversely affect our ability to obtain bank loans at favourable interest rates, our ability to maximise our interest income, our ability to originate new leases and our ability to grow. In addition, changes in interest rates or in the relationships between short-term and long-term interest rates or between different interest rate indices (e.g. basis risk) could affect the interest rates received on interest earning assets differently from the interest rates paid on interest-bearing liabilities, which could, in turn, result in an increase in interest expense or a decrease in net interest income (which is our interest income minus our interest expense). Our net interest income is also affected by whether we can adjust the interest rates we charge to our financial leasing customers in response to fluctuations in interest rates for our interest-bearing bank borrowings in order to maintain our net interest spread and our net interest margin.

Interest rates are highly sensitive to many factors, including governmental monetary and tax policies, domestic and international economic and political considerations, trade surpluses and deficits, regulatory requirements and other factors beyond our control. For example, on 16 August 2019, the PBOC issued the Announcement on the Decision to Reform and Improve the Formation Mechanism of Loan Prime Rate ("**LPR**") (PBOC Announcement No. 15 [2019]) (《關於中國人民銀行決定改革完善貸款市場報價利率(LPR)形成機制的公告》) (中國人民銀行公告[2019]第15號). Pursuant to with the announcement, LPR should be taken as the major pricing reference for any newly granted loans. Thereafter, the one-year LPR was decreased from 4.25% to 3.85% and the LPR for over 5 years loans was decreased from 4.85% to 4.65%, which were remained unchanged for 18 months. The PRC Government may implement further measures in response to changes in the macroeconomic environment in the future, which may have a material adverse effect on our business, financial condition, results of operations and prospects.

Certain facts, forecasts and statistical materials contained in this Offering Circular with respect to the PRC, Hong Kong and their economies and financial industries are derived from various official or third-party sources and may not be accurate, reliable, complete or up-to-date.

We have derived certain facts, forecasts and other statistical materials in this Offering Circular, relating to the PRC and Hong Kong, the PRC economy and the industry in which we operate, including our market share information, from information provided by the PRC, Hong Kong and other government authorities, industry associations, independent research institutes or other third-party sources which are generally believed to be reliable. While we have taken reasonable care in the reproduction of the information, it has not been prepared or independently verified by us, the underwriters or any of our or their respective affiliates or advisors. Therefore, we cannot assure you as to the accuracy and reliability of such facts, forecasts and materials, which may not be consistent with other information compiled inside or outside the PRC and Hong Kong and may not be complete or up-to-date. Such facts, forecasts and statistics include those set out in the sections headed "*Risk Factors*" and "*Description of the Group*". Because of possibly flawed or ineffective collection methods or discrepancies between published information and market practice and other problems, the statistical materials herein may be inaccurate or may not be comparable to statistical materials produced for other economies, and you should not place undue reliance on them. Furthermore, we cannot assure you that they are stated or compiled on the same basis, or with the same degree of accuracy, as similar statistics presented elsewhere. In all cases, you should not unduly rely on such facts, forecasts or statistical materials.

Investments in PRC AMCs are subject to ownership restrictions that may adversely affect the value of your investment.

Investments in PRC AMCs are subject to ownership restrictions. Prior approval from the CBIRC is required if an investor, its related parties and parties acting in concert intend to hold more than 5% of the total capital or total shares of a financial asset management company for the first time, whether to act individually or jointly; or intend to hold less than 5% of the total capital or total shares of a financial asset management company but such holding would have a material impact on that financial asset management company; or if such persons increase holdings in a financial asset management company by over 5% cumulatively, or the cumulative increases in the holding of its total capital or total shares is less than 5% but would cause a change of the ultimate control. If a shareholder of a PRC AMC increases its shareholding to 5% or more without obtaining prior approval from the CBIRC, such shareholder may be subject to sanctions imposed by the CBIRC, such as the correction of such misconduct, fines and confiscation of any related gains. For a shareholder holding 5% or more of our total issued shares (hereinafter referred to as "**Excess Shares**") without obtaining prior approval from the CBIRC, our Articles of Association contain provisions that restrict such shareholder from exercising certain rights over such Excess Shares prior to obtaining such approval. Current ownership restrictions and future changes in ownership restrictions as imposed by the PRC government may materially and adversely affect the value of your investment.

RISKS RELATING TO THE OFFSHORE PREFERENCE SHARES

The Offshore Preference Shares may not be a suitable investment for all investors.

The Offshore Preference Shares are offered to professional investors only and are not suitable for retail investors. Investors should not purchase the Offshore Preference Shares in the primary or secondary markets unless they are professional investors. Each prospective investor of the Offshore Preference Shares must determine the suitability of the investment in light of its own circumstances. In particular, each prospective investor should:

- have sufficient knowledge and experience to make a meaningful evaluation of the Offshore Preference Shares, the merits and risks of investing in the Offshore Preference Shares and the information contained or incorporated by reference in this Offering Circular or any applicable supplemental information;

- have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Offshore Preference Shares and the impact such investment will have on its overall investment portfolio;

- have sufficient financial resources and liquidity to bear all of the risks of an investment in the Offshore Preference Shares, including where the currency for principal or interest payments is different from the prospective investor's currency;

- understand thoroughly the terms of the Offshore Preference Shares and be familiar with the operations of any relevant financial markets;

- be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic returns, dividend rate and other factors inherent in the Offshore Preference Shares (including the possibility of compulsory conversion into the H Shares, cancellation of dividends and/or the perpetual nature of the Offshore Preference Shares) that may affect its investment and its ability to bear the applicable risks; and

- have sufficient knowledge and experience (either alone or with a financial adviser) to evaluate the effect or the likelihood of the occurrence of a compulsory conversion trigger event which may give rise to losses.

Sophisticated investors generally do not purchase complex financial instruments that bear a high degree of risk as standalone investments. They purchase such financial instruments as a way to enhance yield with an understood, measured, appropriate addition of risk to their overall portfolios. A potential investor should not invest in the Offshore Preference Shares unless they have the knowledge and expertise (either alone or with a financial adviser) to evaluate how the Offshore Preference Shares will perform under changing conditions, the resulting effects on the likelihood of the conversion into H Shares and the corresponding impact on the value of the Offshore Preference Shares and the impact this investment will have on the potential investor's overall investment portfolio. Prior to making an investment decision, potential investors should consider carefully, in light of their own financial circumstances and investment objectives, and all the information contained in this Offering Circular.

Dividends are not cumulative and are discretionary.

Subject to the limitations, discretions and qualifications set out in the Articles and the Conditions, each Offshore Preference Share shall entitle the holder thereof to receive non-cumulative dividends on the condition that (a) the Board has passed a resolution to declare such dividend pursuant to the Articles, (b) the Company has distributable after-tax profits (which are based on the undistributed profits of the Company as shown in the financial statements of the Group prepared in accordance with PRC GAAP or IFRS, whichever is the lower), after offsetting losses in previous years and contributing to the statutory reserves fund and general reserves, and (c) the Company's relevant capital adequacy ratios meeting regulatory capital requirements for financial asset management companies. Further, the Company is entitled to cancel (in whole or in part) any dividend, which has been scheduled to be paid on a Dividend Payment Date in respect of the Offshore Preference Shares in any circumstances upon the relevant resolutions have been passed by shareholders' general meeting, and such cancellation shall not constitute a default on the part of the Company. Save for such dividend entitlement as described in the Conditions, the Offshore Preference Shareholders are not entitled to any distribution of the remaining profits of the Company together with the Ordinary Shareholders.

If the Company elects to cancel any scheduled distribution of dividend on a Dividend Payment Date, in whole or in part, other than the cancellation of dividend due to an occurrence of the trigger event in accordance with the Conditions, such cancellation of dividend of the Offshore Preference Shares (in whole or in part) will require a resolution to be passed at a shareholders' general meeting of the Company. The Company has undertaken that any resolution passed at a shareholders' general meeting that cancels a dividend (in whole or in part) on the Offshore Preference Shares will be a Parity Obligation Dividend Cancellation Resolution (as defined in the Conditions) and undertakes that it will not propose to any shareholders' general meeting a resolution to cancel any dividend on the Offshore Preference Shares that is not a Parity Obligation Dividend Cancellation Resolution. However, such Parity Obligation Dividend Cancellation Resolution if passed may not apply to any outstanding undated Additional Tier 1 Capital bonds issued by the Company. Save as aforesaid, any cancellation of any dividend of the Offshore Preference Shares shall not constitute any other restriction on the Company.

The Offshore Preference Shares are non-cumulative preference shares. If any dividend is cancelled in respect of the Offshore Preference Shares and not paid, such cancelled dividend shall not be accumulated to the following dividend period and the holders of such Offshore Preference Shares shall have no claim against the Company in respect of such non-payment.

There can be no assurance that an Offshore Preference Shareholder will receive the dividend payments in respect of the relevant Offshore Preference Shares. If the Company's business and financial condition or results of operations deteriorate or the Company has insufficient liquidity due to effects of natural environment, economic conditions, national policies and self-management, it may affect the Company's ability to repay its debts when due and the amount of its distributable after-tax profits which can be distributed to the Offshore Preference Shareholders. If the Company is unable to pay amounts due on its other debts, the Company may have difficulties meeting its obligations under the Offshore Preference Shares in whole or in part. Investors will also face the risk of the Company's distributable after-tax profits being inadequate for the payment of the dividends on the Offshore Preference Shares.

The terms of the Offshore Preference Shares contain provisions on compulsory conversion into H Shares, in whole or in part.

All or part of the Offshore Preference Shares may be irrevocably and compulsorily converted by the Company into a corresponding amount of H Shares upon the occurrence of a Trigger Event (as defined in the Conditions) and after having notified and obtained the consent of the CBIRC but without the need for the consent of the Offshore Preference Shareholders or Ordinary Shareholders.

A Trigger Event means the earlier of:

(a) the CBIRC having concluded that without a decision on a write-off or conversion into Ordinary Shares, the Company would become non-viable; and

(b) the relevant regulatory authorities such as the MOF and the PBOC having concluded that without a decision on a public sector injection of capital or equivalent support, the Company would become non-viable.

To the Company's knowledge as of the date of this Offering Circular, according to Article 108 of the AMC Administrative Measures and Condition 6 (including limb (b) above), the "relevant regulatory authorities" which may determine whether a public sector injection of capital or equivalent support is necessary without which the Company would become non-viable includes the State Council, the MOF, the PBOC and the CBIRC. When making such decision, these relevant regulatory authorities may consult with each other and/or seek joint agreement among themselves. The AMC Administrative Measures will be subject to interpretation and application by the CBIRC and the other relevant regulatory authorities.

Upon the occurrence of the conversion following a Trigger Event, all of the Company's obligations under the relevant converted Offshore Preference Shares (in whole or in part) shall be irrevocably and mandatorily released, and under no circumstances shall such released obligations be restored. The Compulsory Conversion Price (as defined in the Conditions) is fixed at the time of issue of the Offshore Preference Shares, subject to certain adjustments. Accordingly, Offshore Preference Shareholders could lose part or all of the value of the investment in the Offshore Preference Shares, as, following the conversion, the H Shares received upon conversion may have a market value significantly below the effective Compulsory Conversion Price at the time of the conversion. Furthermore, upon the occurrence of the conversion, the relevant Offshore Preference Shareholders will no longer have a claim in relation to the liquidation preference, and any accrued but unpaid dividends on the relevant Offshore Preference Shares shall be cancelled and shall not become due and payable at any time.

A Trigger Event may occur on more than one occasion, and the Offshore Preference Shares may be subject to a conversion on more than one occasion. If some but not all of the Offshore Preference Shares are to be converted, the Offshore Preference Shares in respect of each other shall be converted rateably in the manner determined by the Company acting in good faith and having regard to market conventions.

According to the Articles of the Company, any entity or person who purchases 5% or more of total issued shares of the Company, shall be subject to the prior approval by the banking regulatory authority of the State Council. Any shareholders of the Company who owns more than 5% of the total issued shares must report in writing to the Company on the same day such events occurred, so that the Company could apply to the banking regulatory authority of the State Council for approval within 5 days since the occurrence of the events. If a shareholder holds 5% or more of the total issued shares of the Company without prior approval from the banking regulatory authority of the State Council, the exercise of rights of the shareholder in respect of the Excess Shares as stipulated in Article 55 shall be subject to restrictions unless approval is obtained from the banking regulatory authority of the State Council. The restrictions include (without limitation):

- the Excess Shares shall have no voting rights at shareholders' general meetings (including class shareholders' meeting); and

- the Excess Shares shall have no rights in respect of the nomination of candidates for directors or supervisors as provided in the Articles.

Unless the Company is satisfied that all Applicable Shareholding Law would permit an Offshore Preference Shareholder to acquire all or some of the H Shares otherwise deliverable to the Share Nominee (as defined in the Conditions) to hold for such Offshore Preference Shareholder upon a conversion (such number of H Shares as would otherwise be deliverable but which the relevant Offshore Preference Shareholder is in the opinion of the Company restricted from acquiring, the "**Restricted H Shares**"), either unconditionally or after compliance with conditions which the Company (in its absolute discretion) deems as acceptable and not unduly onerous, the Restricted H Shares will be sold by the Share Nominee, and the Share Nominee will pay a cash amount equal to the net proceeds received from such sale (after deducting any applicable brokerage, stamp duty and other taxes and charges) to the relevant Offshore Preference Shareholder in accordance with the Conditions. "**Applicable Shareholding Law**" means the relevant rules of the CSRC, the CBIRC, the Hong Kong Securities and Futures Commission or the Hong Kong Stock Exchange and any other law in force in the PRC or Hong Kong that limits or restricts the number of Ordinary Shares that a person may have an interest in or over which it may have a right or power.

In addition, under certain circumstances, no H Shares will be issued upon compulsory conversion and Offshore Preference Shareholders will lose all of their investment in the Offshore Preference Shares subject to such compulsory Conversion. In particular, no H Shares will be issued if the Company is prevented by applicable law, order of any court or action of any government or regulatory authority (including the Winding-Up (as defined in the Conditions) of the Company) from issuing such H Shares, or if the H Shares cease to be listed or admitted to trading on the Hong Kong Stock Exchange by the share delivery date. In such circumstances, no H Shares will be issued or delivered in respect of the relevant Trigger Event, and the Offshore Preference Shareholders will cease to have any rights in respect of the Offshore Preference Shares that are subject to such conversion. The Offshore Preference Shareholders will lose all of their investment in the Offshore Preference Shares under these circumstances.

If the Company fails to issue such H Shares, or there is any delay in the issue or delivery of such H Shares to the Share Nominee, the only right of the Offshore Preference Shareholders in respect of such failure or delay will be to claim against the Company to have such H Shares issued to the Share Nominee. The issue of such number of H Shares to the Share Nominee will satisfy all obligations of the Company in connection with the issue of H Shares to the Offshore Preference Shareholders in respect of the relevant conversion, and with effect from the issue of such H Shares to the Share Nominee, the rights of such Offshore Preference Shareholders in respect of such H shares will be dependent on the compliance by the Share Nominee of its obligations under its appointment by the Company. There is no assurance that the Share Nominee will perform its duties or act in the interests of the Offshore Preference Shareholders and there is no direct contractual relationship between the Offshore Preference Shareholders and the Share Nominee who is an agent of the Company. In the event of non-compliance by the Share Nominee after the Company has issued the H Shares to the Share Nominee, the remedies that the Offshore Preference Shareholders can obtain are limited and they may lose all their investment in the Offshore Preference Shares.

Any such conversion will be irrevocable, and upon the occurrence of the conversion, the Offshore Preference Shareholders of Offshore Preference Shares that have been converted to H Shares will not be entitled to any form of compensation even in the event that the Trigger Event ceases to continue.

The occurrence of a Trigger Event may be inherently unpredictable and may depend on a number of factors which may be outside of the Company's control.

Due to the inherent uncertainty regarding the determination of whether a Trigger Event exists, it will be difficult to predict when, if at all, a conversion of the Offshore Preference Shares into H Shares will occur. Accordingly, trading behaviour in respect of the Offshore Preference Shares may not necessarily follow trading behaviour associated with other types of convertible or exchangeable securities. Any indication that a relevant Trigger Event may occur could have an adverse effect on the market price of the Offshore Preference Shares. In addition, upon the occurrence of a Trigger Event, the prevailing market price of an H Share may be considerably less than the Compulsory Conversion Price in effect on the relevant Conversion Date and the market price of the H Shares may fall further by the time the H Shares to be issued on a conversion are delivered to the holders.

In addition, the regulations requiring conversion and/or write-off of regulatory capital instruments are new and untested and will be subject to interpretation and application by the relevant regulatory departments in the PRC. It is uncertain how the relevant regulatory departments would determine the occurrence of a Trigger Event, and the grounds that constitute a Trigger Event may change (including that additional considerations may be introduced in the future).

A prospective investor should not invest in the Offshore Preference Shares unless it has the knowledge and experience required for assessing the merits and risks of investing in the Offshore Preference Shares, the effect and likelihood of a Trigger Event and Conversion of the Offshore Preference Shares, the remaining value after such compulsory conversion, as well as the effect of this investment product on its overall investment portfolio. Prior to making any investment decision, a prospective investor should consider carefully its financial position and investment objectives, and all of the information in this Offering Circular.

The rate of dividend will be reset on an applicable Reset Date and such reset will be subject to an upper limit, which may affect the market value of the Offshore Preference Shares.

The Offshore Preference Shares will have an Initial Dividend Rate from the Issue Date (inclusive) to the First Reset Date (not inclusive). Thereafter, the dividend rate of Offshore Preference Shares will be reset to a rate per annum being the sum of the Benchmark Rate in relation to the Reset Period and a fixed margin of 3.232% per annum. Notwithstanding the above, the relevant Dividend Rate for any period shall not exceed 8.41% per annum, being the average of the weighted average return on equity of the Company (calculated based on the profits attributable to the Ordinary Shareholders of the Company) for the two most recent financial years prior to the Issue Date.

Notwithstanding that the prevailing market interest rates may have increased since the Issue Date, any future reset of the Dividend Rate will be subject to an upper limit. In addition, the reset Dividend Rate could be less than the Initial Dividend Rate and this could affect the amount of any Dividend payments under the Offshore Preference Shares and have an adverse effect on the market value of the Offshore Preference Shares.

The Offshore Preference Shares have no maturity date. However, the Offshore Preference Shares may be redeemed at the discretion of the Company.

The Offshore Preference Shares are perpetual and have no maturity date. Subject to obtaining approval from the CBIRC, the Company may at its sole discretion redeem all or some of the Offshore Preference Shares on the First Reset Date and any Dividend Payment Date thereafter. Therefore, the Company may elect to redeem the Offshore Preference Shares based on its financial and operation condition and capital adequacy level.

However, the Company shall not have any obligation to redeem the Offshore Preference Shares and no Offshore Preference Shareholder has the right to require the Company to redeem such Offshore Preference Shares or put back the Offshore Preference Shares to the Company. Accordingly, the Offshore Preference Shareholders have no right to put their investment back to the Company, except if the Company exercises its right to redeem the Offshore Preference Shares.

Any Offshore Preference Shareholder who wishes to sell its Offshore Preference Shares may be unable to do so at a price at or above the amount it has paid for them, or at all, if insufficient liquidity exists in the market for the Offshore Preference Shares.

Prospective investors should consider whether and how to reinvest the proceeds of such redemption in light of other investments available at that time. There can be no assurance that holders will be able to reinvest the redemption proceeds at a rate that will provide the same rate of return as their investment in the Offshore Preference Shares. In addition, the Company's redemption option is likely to affect the market value of the Offshore Preference Shares. During any period when the Company has the option to redeem the Offshore Preference Shares, the market value of the Offshore Preference Shares generally will not rise substantially above the price at which they can be redeemed.

There are restrictions on the voting rights of Offshore Preference Shareholders and other shareholders of the Company voting in the same class may have different interests from the Offshore Preference Shareholders.

Pursuant to the Articles, except under certain limited circumstances, Offshore Preference Shareholders have no right to convene, attend or vote at any shareholders' general meeting. Only if the dividend on the Offshore Preference Shares has not been paid in full in respect of two consecutive financial years or a total of three financial years since the Issue Date (or, if voting rights have been restored and subsequently cancelled pursuant to the Conditions, then the most recent date on which restored voting rights were cancelled pursuant thereto), shall each holder of an Offshore Preference Share, to the extent permitted under Applicable Shareholding Law, be entitled to attend and vote upon any resolution proposed at any shareholders' general meeting as if they were the holder of such number of Ordinary Shares as is equal to the aggregate Liquidation Preference (as defined in the Conditions) of the Offshore Preference Shares with restored voting rights (as converted into Hong Kong dollars at the fixed exchange rate of U.S.$1.00 to HK$7.7522) divided by the initial Compulsory Conversion Price at HK$4.52 (without further adjustment) rounded down (to the extent permitted by applicable laws and regulations) to the nearest whole number of H Shares. If the voting rights are restored, the Offshore Preference Shareholders, the holders of any other class of preference shares in the capital of the Company and holders of any other obligations that rank or express to rank equally with the Offshore Preference Shares, each of which are entitled to vote at the shareholders' general meeting of the Company, may have different interests.

The claims of the Offshore Preference Shareholders on the assets of the Company will be subordinated to all liabilities of the Company.

Upon the Winding-Up of the Company, claims of the holders of the Offshore Preference Shares will rank junior to holders of (i) all liabilities of the Company including subordinated liabilities and (ii) obligations issued or guaranteed by the Company that rank, or are expressed to rank, senior to the Offshore Preference Shares. On such Winding-Up of the Company, in respect of each Offshore Preference Share, the Holder shall be entitled to an amount in respect of each Offshore Preference Share which will be equal to the Liquidation Preference together with any declared but unpaid dividends in respect of that Offshore Preference Share. If there are insufficient remaining assets upon such Winding-Up of the Company to cover the amounts payable in full on the Offshore Preference Shares and all Parity Obligations (as defined in the Conditions), the holders of the Offshore Preference Shares and the holders of such Parity Obligations will share rateably in the distribution of such remaining assets (if any) of the Company in proportion to the full amounts to which they are respectively entitled. After payment of the full amounts to which the Holders of the Offshore Preference Shares are entitled on a Winding-Up of the Company, such holders of the Offshore Preference Shares will have no right or claim to any of the Company's remaining assets.

In the event of a shortfall of funds on a liquidation of the Company, there is a risk that an Offshore Preference Shareholder will lose all or some of the Liquidation Preference of the Offshore Preference Shares and any undistributed dividends.

Under PRC law, the prior approval of the CBIRC would need to be obtained in order for a liquidation of a Chinese AMC to proceed under the following circumstance: (1) it is unable to repay its due debts and its assets are not sufficient to pay off all of its debts or is obviously not solvent and voluntarily or at the request of its creditors to apply for bankruptcy; (2) it has been dissolved but has not started liquidation or the liquidation has not been completed yet, and the person responsible for its liquidation finds out that the AMC's assets are not sufficient to repay its debts and the AMC should apply for bankruptcy. If an AMC proposes to apply for bankruptcy, it should submit application to the CBIRC and the CBIRC should accept, review and decide on such application. The CBIRC shall make a written decision on approval or disapproval within 3 months from the date of acceptance. When an AMC ceases its operation, the MOF shall organise a liquidation team to conduct liquidation. For the ultimate loss caused by the disposal of distressed debt assets by the AMC, the MOF shall propose a solution and submit it to the State Council for approval and implementation.

Subject to complying with applicable regulatory requirements, the Company expects from time to time to incur additional indebtedness, and the Offshore Preference Shares do not contain any provisions restricting the ability of the Company or the Company's subsidiaries to incur such additional indebtedness. In addition, prospective investors should be aware that, upon the occurrence of the conversion of the Offshore Preference Shares following a Trigger Event, the relevant Offshore Preference Shareholders will be, effectively, further subordinated, as they will be treated as, and subsequently become, H Shareholders. There is a risk that an investor in the Offshore Preference Shares will lose all or some of its investment should the Company become insolvent since the Company's assets would be available to pay such amounts only after all of its creditors have been paid in full.

A downgrade, suspension or withdrawal of the ratings of the Offshore Preference Shares may affect their market price.

The Offshore Preference Shares are rated "B1" by Moody's. The ratings may not fully reflect the potential impact of all risks relating to the structure, market and other factors in relation to the Offshore Preference Shares as discussed above, and there may be other factors that may affect the value of the Offshore Preference Shares.

A rating is not a recommendation to buy, sell or hold the Offshore Preference Shares and may be subject to revision, suspension or withdrawal at any time by the rating agency. The rating agency may also amend or fully replace the method it uses for assigning credit ratings.

The Company's rating may be affected by changes in its results of operations, capital structure or other factors, which will mean certain risks for the investors. In addition, there can be no assurance that a rating will remain unchanged during a specific range of time, or the rating agency will not downgrade or withdraw a rating based on its assessment of the future developments or as a result of the adoption of a different rating methodology. Such risks may affect the market price and liquidity of the Offshore Preference Shares.

The Offshore Preference Shares are newly issued securities which have limited liquidity.

The Offshore Preference Shares are new securities which have no existing trading market in Hong Kong or elsewhere. They have limited liquidity and may not be widely distributed. The Offshore Preference Shares are designed to qualify as Additional Tier 1 Capital of the Company and the characters and terms of which may only meet the investment requirements of limited categories of investors. These types of securities may have a more limited secondary market and more price volatility than conventional debt securities. Limited liquidity may have a material adverse effect on the market value of the Offshore Preference Shares.

There can be no assurance that a liquid trading market for the Offshore Preference Shares will be developed or that a liquid trading market, if developed, will continue to exist. If a liquid trading market needs to be developed, the Offshore Preference Shares may be traded at a premium or discount to their liquidation preference, depending upon factors such as the prevailing interest rates, the Company's operations and the market for similar securities. The Joint Lead Managers are not obliged to make a market for the Offshore Preference Shares and any such market making, if commenced, may be discontinued at any time at the sole discretion of the Joint Lead Managers. If the Offshore Preference Shares are trading at a discount, investors may not be able to receive a favourable price for their Offshore Preference Shares, and in some circumstances, investors may not be able to sell their Offshore Preference Shares at all or at their fair market value. Although application has been made to the Hong Kong Stock Exchange for the Offshore Preference Shares to be admitted to listing on the Hong Kong Stock Exchange, there is no assurance that final listing approval will be granted and, regardless whether such listing approval is granted, there is no assurance that an active trading market will develop. In addition, the market for over-the-counter traded securities has been subject to disruptions that have caused volatility in prices of securities similar to the Offshore Preference Shares.

The liquidity of the Offshore Preference Shares may be lower than that of the Ordinary Shares issued by the Company. Once over-the-counter trading of the Offshore Preference Shares commences, Offshore Preference Shareholders may encounter difficulties in finding suitable counterparties to whom they can sell the Offshore Preference Shares, thus facing certain trading liquidity risk at the time of transfer.

The market price and trading volume of the Offshore Preference Shares may fluctuate, which may result in a loss sustained by the Offshore Preference Shareholders.

The Company is a listed company and its profitability, development prospects and share prices are affected by a number of factors, including the macroeconomic conditions and the economic and financial policies of the State Council, the political environment in the PRC and abroad, supply and demand and investors' expectations. The price of the Offshore Preference Shares may fluctuate due to the above risk factors as well as other factors such as fluctuations in the yield of similar securities on the market, risk-free interest margins, and the impact of factors not attributable to the Company on the stock market.

The market price and trading volume of the Offshore Preference Shares can be highly volatile and subject to substantial fluctuations. In addition, the trading volume of the Offshore Preference Shares may fluctuate and result in significant price movement.

Changes in the market interest rate may have a significant impact on the price of the Offshore Preference Shares. Other factors which may have an adverse effect on the price of the Offshore Preference Shares or cause fluctuations in the price or trading volume of the Offshore Preference Shares include without limitation the following:

- change in the business performance of the Company;
- failure to meet market expectations of profits;

- departure of important personnel;
- negative market response to any debt incurred by the Company or possible issuance of any securities by the Company;
- changes of the market price of other products similar to the Offshore Preference Shares;
- changes or proposed changes in laws or regulations or interpretation thereof, which have an impact on the business of the Company, or the implementation of any such laws or regulations, or the announcement of any matter in relation thereto;
- litigation, governmental or regulatory investigation; and
- general market and economic environment.

The Company may issue additional securities of any class with a claim ranking pari passu with or in priority to that of the Offshore Preference Shares in the future and may have an adverse effect on the claims of the Offshore Preference Shareholders, repayment and/or the market price of the Offshore Preference Shares.

The Company may from time to time, without having to consult the Offshore Preference Shareholders beforehand, issue new or additional securities (other than preference shares) which rank *pari passu* with or in priority to that of the Offshore Preference Shares or otherwise raise additional capital by means as may be deemed necessary by the Company. For instance, the Company considered and approved the proposal on the issuance of onshore undated capital bonds in an amount not exceeding RMB22 billion on the 2020 second extraordinary general meeting held on 22 December 2020 and received relevant approvals from the CBIRC and PBOC on such issuance. On 16 August 2021, the Company issued the first tranche of the undated additional tier 1 capital bonds in China's inter-bank bond market of RMB10 billion. In addition, the Company may, with the approval of the Ordinary Shareholders and the holders of the preference shares then already issued and outstanding, raise additional capital through further issues of preference shares. There cannot be any assurance that such future issuances or financing activities will not have an adverse effect on the claims or repayment of the Offshore Preference Shareholders, and/or the market price of the Offshore Preference Shares.

The Offshore Preference Shares have limited anti-dilution protection.

The number of H Shares to be issued and delivered on a compulsory conversion of the Offshore Preference Shares shall be determined by (A) the Relevant Loss Absorption Amount (as defined in the Conditions) (as converted into Hong Kong dollars at the fixed exchange rate of U.S.$1.00 to HK$7.7522) divided by (B) the effective Compulsory Conversion Price and rounded down (to the extent permitted by applicable laws and regulations) to the nearest whole number of H Shares and any fractional share less than one H Share resulting from the conversion will not be issued and no cash payment or other adjustment will be made in lieu thereof. The Compulsory Conversion Price will, however, be adjusted only in the limited circumstances involving the H Shares as specified in the Conditions. There is no requirement that there should be an adjustment for every corporate or other event that may affect the value of the Ordinary Shares. Accordingly, corporate events and/or actions in respect of which no adjustment to the Compulsory Conversion Price is made in full or at all may adversely affect the value of the Offshore Preference Shares.

As the Compulsory Conversion Price is fixed at the time of issuance of the Offshore Preference Shares, subject to certain adjustments, Offshore Preference Shareholders will bear the risk of fluctuation in the price of H Shares and the relevant exchange rate.

Upon the occurrence of a Trigger Event, all or part of the Offshore Preference Shares will be compulsorily converted into H Shares on the Conversion Date. Because a Trigger Event will occur when the core tier 1 capital adequacy ratio of the Company deteriorates or if the CBIRC has concluded that without a decision on the write-off or conversion into Ordinary Shares, the Company would become non-viable or relevant regulatory authorities such as the MOF and the PBOC have concluded that without a decision on a public sector injection of capital or equivalent support, the Company would become non-viable, the Trigger Event will likely be accompanied by a prior deterioration in the market price of the Company's H Shares, which may be expected to continue after the occurrence of the Trigger Event. Therefore, if a Trigger Event occurs, investors would receive H Shares at a time when the market price of the Company's H Shares is diminished. The initial Compulsory Conversion Price in respect of the Offshore Preference Shares was fixed at HK$4.52 per H Share, and is subject to limited anti-dilution adjustments, as described under "*Terms and Conditions of the Offshore Preference Shares – Conversion – Adjustments to the Compulsory Conversion Price*". In addition, any conversion shall be effected at a fixed exchange rate based on the relevant cross rate between Hong Kong dollars and U.S. dollars based on the Renminbi central parity rate published by the China Foreign Exchange Trading System on the trading date immediately preceding the date of the announcement of the Board resolution in respect of the issuance plan of the Offshore Preference Shares. As a result, at the time the H Shares are issued, the Compulsory Conversion Price in effect at such time may bear no correlation to the then market price of the Company's H Shares or the prevailing exchange rate.

The place of arbitration and enforcement of arbitral awards may be different and there may be difficulties in enforcing arbitral awards.

There are no events of default under the Offshore Preference Shares. In the event that the Company fails to make any payments, deliver any H Shares when due or comply with any other terms of the Offshore Preference Shares, the remedies of the Offshore Preference Shareholders are limited to bringing a claim for breach of contract or other interlocutory relief.

The Articles provide that disputes or claims of rights (other than the ones inspect of the definition of shareholders and in relation to the register of members) relating to the affairs of the Company and arising between holders of overseas listed shares (including the Offshore Preference Shares) and the Company, or between holders of overseas listed shares (including the Offshore Preference Shares) and directors, supervisors or senior management members of the Company, or between holders of overseas listed shares (including the Offshore Preference Shares) and holders of other shares, and arising as a result of the rights and obligations provided for in the Articles, the Company Law and other applicable laws, administrative regulations, shall be referred to arbitration by the parties involved. The Articles further provide that such arbitral award made by the arbitral body will be final and binding on all parties. A claimant may elect for arbitration to be carried out at either the China International Economic and Trade Arbitration Commission in accordance with its arbitration rules or the Hong Kong International Arbitration Centre in accordance with its securities arbitration rules.

However, if the applicant chooses an arbitration organisation but the respondent refuses to participate in the arbitration of such arbitration organisation, a Chinese court will not force the respondent to participate in the arbitration. In this case, the China International Economic and Trade Arbitration Commission and the Hong Kong International Arbitration Centre have jurisdiction over disputes and a Chinese court can treat it as there is no arbitration clause. In this case, the relevant parties can directly sue the Company in a Chinese court and the Chinese court has jurisdiction over such dispute.

Awards that are made by PRC arbitral authorities recognised under the Arbitration Ordinance of Hong Kong can generally be enforced in Hong Kong. Hong Kong arbitral awards are generally recognised and enforced by PRC courts, subject to the satisfaction of certain conditions. However, there is no assurance that any Hong Kong or PRC arbitral award granted will be successfully enforced by the courts in Hong Kong or the PRC.

Investors may be subject to PRC taxation on dividends received and gains realised in connection with the Offshore Preference Shares.

Under the PRC tax law, holders of the Offshore Preference Shares who are foreign nationals or enterprises are generally subject to PRC income tax on dividends received from the Company at the rate of 20% and 10%, respectively. The Company would be required to withhold such tax from its dividend payments to such foreign nationals or enterprises but shall gross-up for such withholding tax subject to, and in accordance with, the Conditions. Similarly, holders of the Offshore Preference Shares who are foreign nationals would be required to pay PRC income tax on gains from the disposals of the Offshore Preference Shares at the rate of 20% and those holders which are foreign enterprises would be required to pay PRC income tax on gains from the disposals of the Offshore Preference Shares at the rate of 10%, but may subject to any reduction or exemption under any tax treaties between the PRC and the jurisdictions of such foreign nationals or enterprises.

There remains significant uncertainty as to the interpretation and application of the relevant PRC tax laws by the PRC tax authorities, including whether and how individual income tax or enterprise income tax on gains derived by holders of the Offshore Preference Shares from their disposals of the Offshore Preference Shares may be collected. If any such tax is collected, the value of such holders' investments in the Offshore Preference Shares may be materially and adversely affected. See "*Taxation and Foreign Exchange*".

Payment of dividends is subject to restrictions under PRC laws.

Under the Conditions, a pre-condition for any distribution of dividends is that the Company has distributable after-tax profits remaining after off-setting losses in previous years and contributing to the statutory reserve fund and general reserves. The Company's distributable after-tax profit referred to above represents the lower of the undistributed profits of the Company as shown in the financial statements of the parent company as determined under the PRC GAAP or IFRS.

Another pre-condition for distribution of dividends is that the relevant capital adequacy ratios of the Company meeting the regulatory capital requirements for financial asset management companies. The CBIRC has the discretionary authority to restrict dividend payments and other distributions by the Company if it fails to fulfil the capital adequacy ratios requirements. There is no assurance that the CBIRC or other relevant authorities will not promulgate new laws or regulations which may redefine the concept of distributable profits for an issuer and further constrain the Company's ability to pay dividends on the Offshore Preference Shares.

RISKS RELATING TO THE PRC

China's economic, political and social conditions, government policies, as well as the global economy may continue to affect our business.

The majority of our businesses, assets, operations and revenues are located in or derived from our operations in the PRC, and as a result, our business, financial condition and results of operations are subject, to a significant degree, to the economic, political, social and regulatory environment in the PRC.

In recent years, the Chinese government implemented economic reform measures, introduced market forces and promoted the establishment of a sound corporate governance structure. For different industries and regions, these economic reform measures may be adjusted, modified or applied. As a result, we may not benefit from some of such measures.

Our performance has been and will continue to be affected by the China's economy, which in turn is influenced by the global economy. The global economic slowdown and the turmoil in the global financial markets that began in the second half of 2008, continued weakness in the United States economy and the sovereign debt crisis in Europe have collectively added downward pressure to China's economic growth. In addition, the continuous tensions between the U.S. and China around trade policies may adversely affect the stability of the global economy.

Any of the above factors may materially and adversely affect our business, financial condition and results of operations. We are unable to accurately predict the precise nature of all the risks and uncertainties that we face as a result of current economic, political, social and regulatory conditions and many of these risks are beyond our control.

The PRC legal system could limit the legal protections available to the investors.

We are incorporated under the laws of the PRC. The PRC legal system is based on written statutes. Prior court decisions may be adduced for reference but have limited precedential value. Since the late 1970s, the PRC government has promulgated laws and regulations dealing with such economic matters as the issuance and trading of securities, shareholders' rights, foreign investment, corporate organisation and governance, commerce, taxation and trade, with a view towards developing a comprehensive system of commercial law. However, as these laws and regulations are relatively new and the development of products, investment instruments and the environment in the PRC non-banking financial institutions continue to evolve, the effect of these laws and regulations on the rights and obligations of the parties involved may involve uncertainty. As a result, the legal protections available to the investors under the PRC legal system may be limited.

In addition, regulations on capital loss absorption are relatively new and their implementation depends on the PRC regulatory authority's explanation and application. Therefore, there are uncertainties as to how the regulatory authorities will determine the Trigger Events, and the relevant factors to be considered for the determination of the occurrence of a Trigger Event could be changed. We cannot assure that the laws, regulations and relevant explanations which may affect the redemption of offshore preference shares, standard financial instrument or terms will not be changed in the further.

The investors may experience difficulties in effecting service of legal process and enforcing judgements against us and our management.

We are a joint stock company incorporated under the laws of the PRC with limited liability, and substantially all of our assets are located in the PRC. In addition, a majority of our directors, supervisors and all of our officers reside within the PRC, and substantially all their assets are located within the PRC. As a result, it may not be possible to effect service of process within the United States or elsewhere outside the PRC upon us or most of our directors, supervisors and senior management members, including with respect to matters arising under the U.S. federal securities laws or applicable state securities laws. Furthermore, the PRC does not have treaties providing for the reciprocal recognition and enforcement of judgements of courts with the United States, the United Kingdom, Japan or many other countries. In addition, Hong Kong has no arrangement for the reciprocal enforcement of judgements with the United States. As a result, recognition and enforcement in the PRC or Hong Kong of judgements of a court obtained in the United States and any of the other jurisdictions mentioned above may be difficult or impossible.

Under the Arrangement on Mutual Recognition and Enforcement of Judgements in Civil and Commercial Matters by Courts of Mainland and Hong Kong SAR Pursuant to Agreed Jurisdiction by Parties Concerned (《關於內地與香港特別行政區法院相互認可和執行當事人協議管轄的民商事案件判決的安排》) (the "**Arrangement**") effective on 1 August 2008, as for an enforceable final judgement made by a PRC court or Hong Kong court concerning a civil and commercial case under a written agreement on jurisdiction, in which payment must be made, the party concerned may, under the Arrangement, apply to a PRC court or a Hong Kong court for recognition and enforcement. The term "written agreement on jurisdiction" as mentioned in the present Arrangement refers to agreements clearly stipulated in written form by parties concerned that a PRC court or Hong Kong court has sole jurisdiction as to the effectiveness of the Arrangement, so as to settle disputes relevant to a certain legal relationship that has either arisen or might arise. In addition, the Arrangement contains specific definitions of the terms "enforceable final judgement," "certain legal relationship" and "written form." Final judgements that are not compliant with the Arrangement may not be recognised or enforced by a PRC court. Moreover, we cannot assure you that all final judgements that are compliant with the Arrangement will be recognised and effectively enforced by a PRC court.

According to the Arrangement on Reciprocal Recognition and Enforcement of Judgements in Civil and Commercial Matters between the Courts of the Mainland and of the Hong Kong Special Administrative Region (關於內地與香港特別行政區法院相互認可和執行民商事案件判決的安排) ("**2019 Arrangement**") published 18 January 2019, save for inapplicable situations, the reciprocal recognition of effective judgements on civil and commercial matters or civil compensation in criminal cases by the PRC courts and Hong Kong courts will be subject to the 2019 Arrangement. After the judicial interpretation has been issued by the Supreme People's Court and Hong Kong has completed the relevant internal procedures, the commencement date of the 2019 Arrangement will be announced.

We are subject to PRC government controls on currency conversion, and the fluctuation of the RMB may materially and adversely affect our business and our ability to pay dividends to holders of Offshore Preference Shares.

We receive a substantial portion of our revenues in RMB, which is currently not a fully freely convertible currency. A portion of these revenues must be converted into other currencies in order to meet our foreign currency obligations. For example, we need to obtain foreign currency to make payments of declared dividends, if any, on our preference shares.

Under China's existing laws and regulations on foreign exchange, following the completion of the issuance of the Offshore Preference Shares, we will be able to undertake foreign exchange transactions under current account by complying with certain procedural requirements, including the payment of dividends in foreign currencies without prior approval from the SAFE. However, in the future, the PRC government may, at its discretion, take measures to restrict access to foreign currencies for capital account and current account transactions under certain circumstances. In this case, we may not be able to pay dividends in foreign currencies to holders of Offshore Preference Shares. The value of the RMB against the U.S. dollar and other currencies fluctuates from time to time and is affected by a number of factors, such as changes in China's and international political and economic conditions and the fiscal and foreign exchange policies prescribed by the PRC government. From 1994 to 20 July 2005, the conversion of RMB into foreign currencies, including Hong Kong and U.S. dollars, was based on rates set by the PBOC, set daily based on the previous business day's interbank foreign exchange market rates and current exchange rates on the international financial markets. On 21 July 2005, the PRC government adopted a more flexible managed floating exchange rate system to allow the value of the RMB to fluctuate within a regulated band that is based on market supply and demand and with reference to a basket of currencies. On the same day, the value of the RMB appreciated by approximately 2% against the U.S. dollar. The PRC government has since made further adjustments to the exchange rate system. According to the domestic and international economic and financial situations, in June 2010, the PBOC decided to further promote reforms of RMB exchange rate formation mechanism and to enhance the flexibility of RMB exchange rate. The PBOC expanded the dollar/yuan exchange rate of daily amplitude range in April 2012, March 2014 and August 2015. In May 2016, the PBOC released the China Monetary Policy Implementation Report for the first quarter of 2016. The report stated that the PBOC has preliminarily formulated a central parity rate mechanism for RMB to USD conversion based on the closing exchange rates and adjusted by a pool of exchange rate changes. The China Foreign Exchange Trade System possesses a pool of exchange rates for different currencies and such system, on a daily basis, relies on quotations from market makers as determination basis, removing the highest and lowest rates and then obtaining the average rates with the remaining exchange rates to determine the central parity rate for a specific day.

We believe we have minimal exposure to fluctuations in RMB currency exchange rates. However, as our international business expands, any appreciation of the RMB against the U.S. dollar or any other foreign currencies may result in the decrease in the value of our foreign currency-denominated assets. Conversely, any devaluation of the RMB may adversely affect the value of, and any dividends payable on, our preference shares in foreign currency. Although we seek to reduce our exchange rate risk through financial derivatives or otherwise, we cannot assure that we will be able to reduce our foreign currency risk exposure relating to our foreign currency-dominated assets. In addition, there are limited instruments available for us to reduce our foreign currency risk exposure at reasonable costs. Any appreciation of the RMB against the U.S. dollar or any other foreign currencies may materially and adversely affect the financial conditions of certain of our customers, particularly those deriving substantial income from exporting products or engaging in the related businesses, and in turn their abilities to service their obligations to us. Furthermore, we are also currently required to obtain the approval of the SAFE before converting significant sums of foreign currencies into RMB. All of these factors could materially and adversely affect our financial condition, results of operations and compliance with capital adequacy ratios and operational ratios.

Holders of Offshore Preference Shares may be subject to PRC taxation.

Dividends paid by us to non-resident individual holders of our Offshore Preference Shares are subject to individual income tax. Pursuant to the Individual Income Tax Law of the PRC (《中華人民共和國個人所得稅法》) and its implementing regulations, the Notice of the State Administration of Taxation on Issues about the Administrative Measures for Non-residents to Enjoy the Treatments of Treaties (State Administration of Taxation Notice 2019 No. 35) (《國家稅務總局關於發布<非居民納稅人享受協定待遇管理辦法>的公告》(國家稅務總局公告2019年第35號)) and the Notice of the State Administration of Taxation on Issues Relating to the Administration of Individual Income Tax after the Repeal of Guo Shui Fa [1993] No. 045 (Guo Shui Xin [2011] No. 348) (《國家稅務總局關於國稅發[1993]045號文件廢止後有關個人所得稅徵管問題的通知》(國稅函[2011]348號)) and other relevant laws and regulations and relevant regulations of the State Administration of Taxation, when domestic non-foreign invested enterprises which have issued shares in Hong Kong pay dividends, and the individual receiving the dividends is a resident of Hong Kong or Macau or a resident of another country with which the PRC has entered into a tax agreement for a 10% dividend tax rate, the Company will withhold and pay the individual income tax on behalf of the individual at a rate of 10%. For individuals receiving dividends who are citizens from countries that have entered into tax treaties with the PRC with tax rates lower than 10%, the Company will withhold and pay on behalf of the shareholders the individual income tax on dividends at a tax rate of 10%. Such shareholders who need to claim a refund of the over-withheld tax from the competent tax authorities in the PRC through the Company are required to submit the reporting forms and information as stipulated in State Administration of Taxation Notice 2019 No. 35, as well as a supplementary explanation of the circumstances under which they are entitled to the relevant agreement. For individuals receiving dividends who are citizens from countries that have entered into tax treaties with the PRC with tax rates higher than 10% but lower than 20%, we will withhold and pay the individual income tax at the agreed effective tax rates under the treaties. For individuals receiving dividends who are citizens from countries without tax treaties with the PRC or under other circumstances, we will withhold and pay the individual income tax at the rate of 20%. In addition, from the perspective of the domestic tax law in the PRC, according to the "PRC Individual Income Tax Law" and its Implementation rules, gains realised by non-resident individual holders of H Shares upon sale or otherwise disposal of H Shares, are subject to PRC individual income tax at a rate of 20%. From the perspective of tax treaties, the Fourth Protocol to the Arrangement between the Mainland and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income (《內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排》第四議定書), for example, provides that "gains derived by a resident of one party from the transfer of shares of a company resident in the other party which is listed on a recognised stock exchange shall be taxed only on the party of which the transferor is a resident. Such transfer is limited to the case where the shares are bought and sold on the same stock exchange." Therefore, China does not have the right to tax a Hong Kong resident investor who transfers shares (e.g. H shares) of a PRC resident enterprise listed on a recognised stock exchange outside the PRC (e.g. the Hong Kong Stock Exchange); in the case of PRC's tax treaties with some other countries, for example, the PRC tax authorities only have the right to tax when one of the following conditions are met: (i) more than 50% of the value of the shares of the transferred company consists directly or indirectly of real estate located in China; (ii) the foreign resident has participated directly or indirectly in at least 25% of the capital of the PRC company within twelve months prior to the transfer of its shares in the PRC company. In this regard, it should be noted that the above analysis only considers tax arrangements between China and some countries, and does not cover the analysis of tax treaties between China and all other countries. As of the date of this Offering Circular, no legislation has expressly provided that individual income tax shall be levied on gains realised by non-resident individual holders of preference share from sale or otherwise disposal of preference shares, and to the best of our knowledge, in practice, no individual income tax has been levied by the PRC tax authorities on such gains so far. If such tax is levied on gains in the future, the value of investments in preference shares by non-resident individual shareholders of preference shares may be materially and adversely affected.

According to the "Enterprise Income Tax Law of the PRC" and its Implementation rules (《中華人民共和國企業所得稅法》及實施條例), for dividends derived from PRC companies, non-resident enterprises shall be subject to 10% of enterprise income tax, source withholding is applied, with the payer as the withholding agent. Further deductions may be made in accordance with special arrangements or applicable treaties entered into between China and the jurisdiction to which the relevant non-Chinese resident enterprises are subject to.; for gains from disposal of equity interests in PRC companies, the analysis and conclusions are the same as described above for individual holders of H shares who are not residents of China. As of the date of this Offering Circular, there are no other specific rules about how to levy tax on gains realised by non-resident enterprise holders of the Offshore Preference Shares through the sale or transfer by other means of the Offshore Preference Shares. If relevant rules are promulgated in the future, the value of investments in the preference shares by such non-resident enterprises may be materially and adversely affected.

Natural disasters, epidemics, acts of war or terrorism or other factors beyond our control may have a material adverse effect on our business operations, financial condition and results of operations.

Natural disasters, epidemics, acts of war or terrorism or other factors beyond our control may adversely affect the economy, infrastructure and livelihood of the people in the regions we conduct our business. These regions may be under the threat of flood, earthquake, sandstorm, snowstorm, fire or drought, power shortages or failures, or are susceptible to epidemics, such as COVID-19, Severe Acute Respiratory Syndrome ("**SARS**"), avian influenza, Ebola virus disease, H5N1 influenza, H1N1 influenza or H7N9 influenza, potential wars or terrorist attacks. Serious natural disasters may result in a tremendous loss of lives and injury and destruction of assets and disrupt our business and operations. Severe communicable disease outbreaks could result in a widespread health crisis that could materially and adversely affect many economic systems and financial markets. For example, the ongoing COVID-19 pandemic has resulted in many countries, including China, Japan, the United States, members of the European Union and the United Kingdom, declaring a state of emergency and imposing extensive business and travel restrictions with a view to containing the pandemic. Widespread reductions in consumption, industrial production and business activities arising from the COVID-19 pandemic will significantly disrupt the global economy and global markets and is likely to result in a global economic recession. In addition, COVID-19 has led to significant volatility in the global markets across all asset classes, including stocks, bonds, oil and other commodities and this volatility may persist for some time. There is no assurance that the outbreak will not lead to decreased demand for services we provide; nor is there assurance that the outbreak's adverse impact on the PRC economy and our customers will not adversely affect our businesses. We cannot ensure you whether our business, financial condition and results of operations will be materially and adversely affected by any future occurrence of severe natural disasters similar to COVID in the PRC or in the world.

In addition, acts of war or terrorism may also injure our employees, cause loss of lives, disrupt our business network and destroy our markets. Any of these factors and other factors beyond our control could have an adverse effect on the overall business sentiment and environment, cause uncertainties in the regions where we conduct business, cause our business to suffer in ways that we cannot predict and materially and adversely impact our business, financial condition and results of operations.

TERMS AND CONDITIONS OF THE OFFSHORE PREFERENCE SHARES

*The following description of the terms and conditions of the Offshore Preference Shares (the "**Conditions**") is subject to, and qualified in its entirety by reference to, the Articles, the resolutions of the shareholders' general meeting of the Company passed on 2 February 2021 and the authorisation from the Board to the Chairman of the Board or any other person authorised by the Chairman of the Board. The following (other than the words in italics) sets out the principal rights attaching to the Offshore Preference Shares which will appear on the reverse of each Certificate evidencing the Offshore Preference Shares. Unless otherwise defined herein, defined terms used herein have the meanings given to such terms under Condition 16 below.*

1 GENERAL

The U.S.$1,700,000,000 4.40% Non-Cumulative Perpetual Offshore Preference Shares (the "**Offshore Preference Shares**") are issued on 3 November 2021 (the "**Issue Date**") pursuant to the Articles of Association (as amended from time to time, the "**Articles**") of China Cinda Asset Management Co., Ltd. (中國信達資產管理股份有限公司) (the "**Company**"), the resolutions of the shareholders of the Company (the "**Shareholder Resolutions**") passed on 2 February 2021 and the authorisation from the Board to the Chairman of the Board or any other person authorised by the Chairman of the Board.

In connection with the Offshore Preference Shares, the Company has entered into (a) a fiscal agency agreement dated 3 November 2021 (as amended from to time to time, the "**Fiscal Agency Agreement**") with China Construction Bank (Asia) Corporation Limited (中國建設銀行(亞洲)股份有限公司) as fiscal agent, paying agent, calculation agent, registrar and transfer agent and the other agents named in it, (b) a receiving agency agreement dated 22 October 2021 (as amended from time to time, the "**Receiving Agency Agreement**") with ICBC (Asia) Trustee Company Limited as receiving agent (the "**Receiving Agent**"), (c) a deed of covenant in respect of the Offshore Preference Shares dated 3 November 2021 (as amended from time to time, the "**Offshore Preference Shares Deed of Covenant**") and (d) an agreement dated 3 November 2021 (as amended from time to time, the "**Payment Side Agreement**") with the Receiving Agent and China Construction Bank (Asia) Corporation Limited (中國建設銀行(亞洲)股份有限公司) as fiscal agent and paying agent. The fiscal agent, the registrar, the calculation agent, any paying agent and any transfer agent appointed under the Fiscal Agency Agreement are referred to below respectively as "**Fiscal Agent**", the "**Registrar**", the "**Calculation Agent**", the "**Paying Agents**" and the "**Transfer Agents**". The "**Agents**" means the Fiscal Agent, the Registrar, the Calculation Agent, the Paying Agents, the Transfer Agents and any other agent or agents appointed from time to time under the Fiscal Agency Agreement in respect of the Offshore Preference Shares.

Copies (in Chinese and English) of the Articles, the Conditions, the Shareholder Resolutions, copies (in English) of the Fiscal Agency Agreement, the Payment Side Agreement and the Offshore Preference Shares Deed of Covenant and copies (in Chinese) of the Receiving Agency Agreement may be available for inspection during normal business hours between 9: 00 a.m. and 3: 00 p.m. at the specified office of the Fiscal Agent (presently at 20/F, China Construction Tower, 3 Connaught Road Central, Central, Hong Kong) upon proof of holding satisfactory to the Fiscal Agent. The registered holders of the Offshore Preference Shares (the "**Offshore Preference Shareholders**" or, in relation to the Offshore Preference Shares, the "**Holders**") are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Articles and the Shareholder Resolutions and are deemed to have notice of those provisions of the Fiscal Agency Agreement, the Receiving Agency Agreement, the Offshore Preference Shares Deed of Covenant and the Payment Side Agreement applicable to them.

The Articles and these Conditions are written in Chinese. In the event of any inconsistency between (i) on the one hand, the Articles and these Conditions in Chinese and (ii) on the other hand, any translations of the Articles and these Conditions in other languages, the Chinese versions of the Articles and these Conditions shall prevail. In addition, in the event of any inconsistency between the Articles and these Conditions, the Articles shall prevail.

2 FORM AND TRANSFER

2.1 Form and Title

The Offshore Preference Shares will have a par value of RMB100 each and will be issued as fully paid up capital in U.S. dollars so that the issuance price of the Offshore Preference Shares will be U.S.$20 each (the "**Liquidation Preference**"). The Offshore Preference Shares will be issued in registered form and issued and transferable only in minimum amounts of U.S.$200,000 (or 10,000 Offshore Preference Shares) and integral multiples of U.S.$1,000 (or 50 Offshore Preference Shares) in excess thereof (each an "**Authorised Denomination**"). The Offshore Preference Shares are represented by registered certificates ("Certificates") and each Certificate shall represent the entire holding of Offshore Preference Shares by the same Holder.

Title to the Offshore Preference Shares will, subject to and in accordance with the Articles, be freely transferable and pass by transfer and registration in a register of Offshore Preference Shareholders (the "**Register**") that the Company shall procure to be kept and maintained by the Registrar outside the United Kingdom and Hong Kong at all times. Except as otherwise required by law, the Holder of any Offshore Preference Share will be treated as its absolute owner for all purposes, and no person will be liable for so treating the Holder.

2.2 Transfers

Registration of transfer of Offshore Preference Shares will be effected by or on behalf of the Company or the Registrar but upon payment (or the giving of such indemnity and/or security and/or pre-funding as the Company or the Registrar may require) in respect of any taxes or other governmental, regulatory or administrative charges which may be levied or charged on the Company or the Registrar (as the case may be) in relation to such transfer. All transfers of Offshore Preference Shares and entries on the Register will be made in accordance with the Articles.

No Offshore Preference Shareholder may require the transfer of an Offshore Preference Share to be registered: (a) during the period of 5 days ending on the due date for payment under that Offshore Preference Share; or (b) during the period commencing on the day on which a Conversion Notice has been delivered and ending on the day on which the Conversion in respect of such Conversion Notice has been completed. If the Articles or any listing rules of the relevant stock exchange has any specific requirements in relation to the closed period for registration in the Register of transfers of the Offshore Preference Shares, such requirements shall prevail.

Transfers of interests in Offshore Preference Shares represented by a Global Certificate will be effected through the records of Euroclear and Clearstream, Luxembourg (or any Alternative Clearing System) and their respective participants in accordance with the rules and procedures of Euroclear and Clearstream, Luxembourg (or any Alternative Clearing System) and their respective participants.

2.3 Global Certificate

The Offshore Preference Shares will initially be represented by a global certificate (the "**Global Certificate**") which will be registered in the name of a nominee of, and deposited with a common depositary for, Euroclear Bank SA/NV ("**Euroclear**") and Clearstream Banking S.A. ("**Clearstream, Luxembourg**"). Beneficial interests in the Global Certificate will be shown on, and transfers thereof will be effected only through, the records maintained by Euroclear, Clearstream, Luxembourg and any other alternative clearing system through which interests in the Offshore Preference Shares are held (the "**Alternative Clearing System**"). Except in the limited circumstances set out in the Global Certificate, Certificates for the Offshore Preference Shares will not be issued in exchange for beneficial interest in the Global Certificate. While the Offshore Preference Shares are represented by the Global Certificate and the Global Certificate is held on behalf of Euroclear, Clearstream, Luxembourg or any Alternative Clearing System, the Offshore Preference Shares will be recorded, transferred and/or converted on the basis of their Authorised Denomination and not number of Offshore Preference Shares.

In addition, for so long as the Offshore Preference Shares are represented by the Global Certificate and the Global Certificate is held on behalf of Euroclear, Clearstream, Luxembourg or any Alternative Clearing System, certain provisions of these Conditions will be modified to reflect the rules, procedures and practices of Euroclear, Clearstream, Luxembourg and any Alternative Clearing System as further described in such Global Certificate.

3 STATUS AND RIGHTS UPON LIQUIDATION

Upon the Winding-Up of the Company, Holders of the Offshore Preference Shares shall rank:

(a) junior to holders of (i) all liabilities of the Company (including subordinated liabilities) and (ii) obligations issued or guaranteed by the Company that rank or are expressed to rank senior to the Offshore Preference Shares;

(b) equally in all respects with each other and without preference among themselves and with holders of the Parity Obligations; and

(c) in priority to the Ordinary Shareholders.

Upon the Winding-Up of the Company, the assets of the Company shall be distributed in the following order of priority:

(i) payment of the liquidation fees;

(ii) payment of salaries of the employees, social security expenses and statutory compensation;

(iii) payment of outstanding taxes; and

(iv) payment of other debts of the Company.

On such Winding-Up of the Company, any remaining assets of the Company shall, after the distributions in accordance with paragraphs (i) to (iv) above of this Condition 3 have been made, be applied to the claims of the Holders of the Offshore Preference Shares equally in all respects with the claims of holders of all Parity Obligations and in priority to the claims of holders of the Ordinary Shares. On such Winding-Up of the Company, in respect of each Offshore Preference Share, the Holder shall be entitled to an amount in respect of each Offshore Preference Share which will be equal to the Liquidation Preference together with any declared but unpaid Dividends in respect of that Offshore Preference Share.

If there are insufficient remaining assets upon such Winding-Up of the Company to cover the amounts payable in full on the Offshore Preference Shares and all Parity Obligations, the Holders of the Offshore Preference Shares and the holders of such Parity Obligations will share rateably in the distribution of such remaining assets (if any) of the Company in proportion to the full amounts to which they are respectively entitled.

After payment of the full amounts to which the Holders of the Offshore Preference Shares are entitled on a Winding-Up of the Company, such Holders of the Offshore Preference Shares will have no right or claim to any of the Company's remaining assets.

Please see "Risk Factors – Risks relating to the Offshore Preference Shares – The claims of the Offshore Preference Shareholders on the assets of the Company will be subordinated to all liabilities of the Company".

4 DIVIDENDS

Subject as provided in this Condition 4, each Offshore Preference Share shall entitle the Holder thereof to receive non-cumulative dividends which have not been otherwise cancelled (the "**Dividends**") payable annually in arrear.

The applicable Dividend Rate shall not contain any step-up nor any other incentive to redeem any Offshore Preference Share. The applicable Dividend Rate for the Offshore Preference Shares is not linked to any credit rating of the Company and will not be adjusted based on changes in the credit rating of the Company in the future.

4.1 Dividend Rate

The Offshore Preference Shares will accrue Dividends on their Liquidation Preference at the relevant Dividend Rate below:

(a) from and including the Issue Date to but excluding the First Reset Date, at the rate of 4.40% per annum (the "**Initial Dividend Rate**"); and

(b) thereafter, in respect of the period from and including the First Reset Date and each Reset Date falling thereafter to but excluding the immediately following Reset Date, at the relevant Reset Dividend Rate,

provided that the Dividend Rate shall not at any time exceed 8.41% per annum, being the weighted average return on equity of the Company (calculated based on the return attributable to the Ordinary Shareholders) for the two most recent financial years prior to the Issue Date.

For the purposes of these Conditions:

The "**Reset Dividend Rate**" in respect of any Reset Period will be the dividend rate per annum (expressed as a percentage) representing the sum of the Benchmark Rate in relation to that Reset Period and a fixed margin of 3.232% per annum, as determined by the Calculation Agent on the relevant Reset Determination Date.

"**Reset Date**" means the First Reset Date and each date that falls five, or a multiple of five, years following the First Reset Rate.

4.2 Dividend Payment Dates

Each Dividend will be payable, subject as provided in this Condition 4, annually in arrear on 3 November in each year (each, a "**Dividend Payment Date**") after declaration by the Board. Subject as provided in this Condition 4, the first Dividend Payment Date will be 3 November 2022. The period beginning on and including the Issue Date and ending on but excluding the next succeeding Dividend Payment Date and each successive period beginning on and including a Dividend Payment Date and ending on but excluding the next succeeding Dividend Payment Date is called a "Dividend Period".

4.3 Calculation of Dividend Amount

Subject as provided in this Condition 4, the Dividends payable on each Dividend Payment Date during the period from and including the Issue Date to but excluding the First Reset Date shall be U.S.$44.00 per Calculation Amount (as defined below).

Dividends in respect of the Offshore Preference Shares shall be calculated per U.S.$1,000 in Liquidation Preference of the Offshore Preference Shares (the "**Calculation Amount**"). Dividends payable per Calculation Amount for a Dividend Period shall be equal to the product of the corresponding Dividend Rate, the Calculation Amount and the day-count fraction for the Dividend Period, rounding the resulting figure to the nearest U.S. cent (half a U.S. cent being rounded upwards).

When Dividends are required to be calculated in respect of a period of less than a full Dividend Period, the Dividends payable per Calculation Amount for such period for each Offshore Preference Share shall be equal to the product of the corresponding Dividend Rate, the Calculation Amount and the relevant day-count fraction, rounding the resulting figure to the nearest U.S. cent. (half a U.S. cent being rounded upwards).

For the purposes of the Conditions, the relevant day-count fraction means (i) the number of days in the relevant period divided by (ii) 360 (with the number of days to be calculated on the basis of a year of 360 days with 12 months of 30 days each, and in the case of an incomplete month, the number of days elapsed).

So long as the Global Certificate is held on behalf of Euroclear, Clearstream, Luxembourg or any Alternative Clearing System, Dividends in respect of the Offshore Preference Shares shall be calculated based on the aggregate Liquidation Preference of the Offshore Preference Shares represented by the Global Certificate.

4.4 Determination and Notification of Reset Dividend Rate

The Calculation Agent will cause the applicable Reset Dividend Rate determined by it to be promptly notified to the Company and the Fiscal Agent. The Calculation Agent shall also cause such Reset Dividend Rate to be notified to the Offshore Preference Shareholders in accordance with Condition 12 as soon as possible after the Reset Determination Date, but in no event later than the fourth Business Day thereafter. All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of this Condition 4.4 by the Calculation Agent will (in the absence of manifest error) be binding on the Company, the Agents and the Offshore Preference Shareholders and (subject as aforesaid) no liability will attach to the Calculation Agent in connection with the exercise or non-exercise by it of its powers, duties and discretions for such purpose.

4.5 Conditions to Distribution of Dividends

Notwithstanding any other provision in this Condition 4, the payment by the Company of any Dividend on any Dividend Payment Date is subject to:

(a) the Board having passed a resolution to declare such Dividends in accordance with the Articles;

(b) the Company having distributable after-tax profits (which are based on the undistributed profits of the Company as shown in the financial statements of the parent company prepared in accordance with PRC GAAP or IFRS, whichever is the lower), after offsetting the losses in previous years and contributing to its statutory reserve fund and general reserves; and

(c) the relevant capital adequacy ratios of the Company meeting the regulatory capital requirements for financial asset management companies.

Further, subject to a resolution to be passed at a shareholders' general meeting of the Company on each such occasion, the Company may elect to cancel (in whole or in part) any Dividend otherwise scheduled to be paid on a Dividend Payment Date in the manner set out in this Condition 4.5 and Condition 4.6 below. The Company may at its discretion use the funds arising from the cancellation of such Dividend to repay other indebtedness due and payable.

Notice of any cancellation of payment of all or part of a scheduled Dividend must be given by the Company to the Offshore Preference Shareholders (in the manner specified in Condition 12 below) and the Fiscal Agent as soon as possible after a resolution has been passed at the shareholders' general meeting described above to cancel (in whole or in part) any Dividend, and in any event at least 10 Payment Business Days prior to the relevant Dividend Payment Date (provided that any failure to give such notice shall not affect the cancellation of all or part of such Dividend by the Company and shall not constitute a default for any purpose).

The cancellation of all or part of any Dividend in accordance with these Conditions shall not constitute a default for any purpose by the Company. Dividend payments are non-cumulative, and in the event of any cancellation by the Company of all or part of the Dividends pursuant to the resolutions of a shareholders' general meeting and these Conditions, any amount of Dividends not paid to the Offshore Preference Shareholders in full in the current Dividend Period will not be accumulated to the following Dividend Period.

Following receipt of Dividends as set forth in Condition 4 (subject to this Condition 4.5, Condition 6 and Condition 7), the Offshore Preference Shareholders shall not be entitled to receive any distribution of residual profits of the Company together with the Ordinary Shareholders.

4.6 Restrictions Following Cancellation of Dividends

If the Board elects to cancel (in whole or in part) any Dividend scheduled to be paid on a Dividend Payment Date (but not where such Dividend has been cancelled pursuant to Condition 6.1(a) upon the occurrence of a Trigger Event), the cancellation of such Dividend (in whole or in part) on the Offshore Preference Shares will also require a resolution to be passed at a shareholders' general meeting. The Company undertakes that any resolution passed at a shareholders' general meeting that cancels a Dividend (in whole or in part) on the Offshore Preference Shares will be a Parity Obligation Dividend Cancellation Resolution and undertakes that it will not propose to any shareholders' general meeting a resolution to cancel any Dividend on the Offshore Preference Shares that is not a Parity Obligation Dividend Cancellation Resolution.

From the day immediately following the shareholders' general meeting passing the Parity Obligation Dividend Cancellation Resolution, the Company shall not make any payment in cash or otherwise on, and will procure that no distribution or dividend in cash or otherwise is made on, any Ordinary Shares or on any other class of shares or obligations that ranks or is expressed to rank junior to the Offshore Preference Shares unless or until the earlier of: (i) the Dividend scheduled to be paid on any subsequent Dividend Payment Date is paid in full to Offshore Preference Shareholders; or (ii) the redemption or purchase and cancellation of all outstanding Offshore Preference Shares or the Conversion of all outstanding Offshore Preference Shares.

4.7 Dividend Accrual

Each Offshore Preference Share will cease to accrue Dividends from the due date for redemption unless, upon surrender of the Certificate representing such Offshore Preference Share, payment of the redemption price in respect of such Offshore Preference Share is improperly withheld or refused. In such event, the Dividend on such Offshore Preference Share shall, subject as provided in this Condition 4, continue to accrue, at the then applicable Dividend Rate, from (and including) the due date for redemption to but excluding the date of payment of such redemption price. The Offshore Preference Shares shall be treated as having been redeemed only after all amounts payable on redemption of the Offshore Preference Shares have been paid in full.

5 PAYMENTS

5.1 Method of Payment

Payments in respect of any amount payable by way of Dividend or Liquidation Preference in respect of the Offshore Preference Shares will be made by bank transfer to a U.S. dollar account maintained by the Holder with a bank in New York City, provided that payment on redemption shall only be made against surrender of the relevant Certificate to, or to the order of, the Fiscal Agent.

Payments of any amount by way of Dividend or Liquidation Preference in respect of the Offshore Preference Shares will be paid to the Offshore Preference Shareholders shown on the Register at the close of business on the 5th day before the due date for such payment.

Payment instructions (for value on the due date, or if that is not a Payment Business Day, for value on the first following day which is a Payment Business Day) will be initiated on the due date for payment (if that date is not a Payment Business Day, on the first following day which is a Payment Business Day) or, in the case of payments where the relevant Certificate has not been surrendered at the specified office of the Fiscal Agent as required by these Conditions, on a Payment Business Day on which the Fiscal Agent is open for business and on which the relevant Certificate is surrendered.

The Offshore Preference Shareholders shall not be entitled to any interest or other payment for any delay after the due date in receiving the amount due if the due date is not a Payment Business Day. If an amount which is due on the Offshore Preference Shares is not paid in full, the Registrar will annotate the Register with a record of the amount (if any) in fact paid.

*For so long as the Offshore Preference Shares are represented by a Global Certificate, all payments in respect of the Offshore Preference Shares will be made to, or to the order of, the person whose name is entered on the Register at the close of business on the record date which shall be on the Clearing System Business Day immediately prior to the date for payment, where "**Clearing System Business Day**" means a day on which the relevant clearing system is open for business.*

5.2 Payments Subject to Applicable Laws

All payments are subject in all cases to (i) any applicable fiscal or other laws, regulations and directives in the place of payment, but without prejudice to the provisions of Condition 8, and (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986 (the "**U.S. Internal Revenue Code**") or otherwise imposed pursuant to Sections 1471 through 1474 of the U.S. Internal Revenue Code, any regulations or agreements thereunder, any official interpretations thereof, or (without prejudice to the provisions of Condition 8) any law implementing an intergovernmental approach thereto. No commission or expenses shall be charged to the Offshore Preference Shareholders in respect of such payments.

6 CONVERSION

6.1 Conversion on the Occurrence of a Trigger Event

If any Trigger Event occurs, the Company shall (having obtained the CBIRC Approval but without the need for the consent of the Offshore Preference Shareholders or the Ordinary Shareholders):

(a) cancel any Dividend in respect of the Relevant Loss Absorption Amount that is unpaid accrued up to and including the Conversion Date; and

(b) irrevocably and compulsorily convert with effect from the Conversion Date all or some of the Offshore Preference Shares into H Shares (such conversion to H Shares being referred to as a "**Conversion**", and "**Converted**" shall have a corresponding meaning) in accordance with this Condition 6 as follows:

   (i) the Offshore Preference Shares shall be Converted concurrently with the write-off, conversion or cancellation of all other Additional Tier 1 Capital Instruments, in accordance with the terms thereof or any applicable laws and regulations, but prior to the write-off, conversion or cancellation of any Tier 2 Capital Instruments; and

(ii) the Offshore Preference Shares shall be Converted into such number of H Shares as is equal to (A) the Relevant Loss Absorption Amount (as defined below) (as converted into Hong Kong dollars at the fixed exchange rate of U.S.$1.00 to HK$7.7522) divided by (B) the effective Compulsory Conversion Price and rounded down (to the extent permitted by applicable laws and regulations) to the nearest whole number of H Shares, and any fractional share less than one H Share resulting from the Conversion will not be issued and no cash payment or other adjustment will be made in lieu thereof.

The above fixed exchange rate is based on the cross rate between Hong Kong dollars and U.S. dollars based on the Renminbi central parity rate published by the China Foreign Exchange Trade System on the Trading Day immediately preceding the date of the announcement of the Board resolution (being 3 December 2020) in respect of the issuance plan of the Offshore Preference Shares, rounded to the nearest four decimal places (5 in the fifth decimal place being rounded upwards).

Any partial Conversion of the Offshore Preference Shares is subject to the determination of the relevant regulatory authorities. See "Risk Factors – Risks relating to the Offshore Preference Shares – The terms of the Offshore Preference Shares contain provisions on compulsory conversion into H Shares, in whole or in part".

A Trigger Event may occur on more than one occasion, and the Offshore Preference Shares may be subject to a Conversion on more than one occasion.

If some but not all of the Offshore Preference Shares are to be Converted, the Offshore Preference Shares in respect of each other shall be Converted rateably in the manner determined by the Company acting in good faith and having regard to market conventions.

If a Conversion occurs at such time as the Offshore Preference Shares are represented by the Global Certificate, such Conversion will be reflected as a reduction in the aggregate Liquidation Preference of such Global Certificate by the percentage that the number of Offshore Preference Shares to be Converted in respect of such Global Certificate bears to the aggregate Offshore Preference Shares represented by such Global Certificate. Following a reduction in the aggregate Liquidation Preference of such Global Certificate, unless the Company determines otherwise (acting in good faith and having regard to the rules and procedures of Euroclear or Clearstream, Luxembourg or any Alternative Clearing System, as the case may be), the Liquidation Preference of Offshore Preference Shares held by each accountholder will correspondingly be reduced on a pro rata basis to the extent practicable, and any nominal amount held thereafter by an accountholder that is not wholly divisible into the Liquidation Preference for the purposes of determining an Offshore Preference Shareholder's voting rights in a Winding-Up and/or its voting rights as described in Condition 10, such excess portion not wholly divisible shall be disregarded.

The Company shall, within two Trigger Event Business Days following the relevant Trigger Event Effective Date, give notice (the "**Conversion Notice**") to the Offshore Preference Shareholders and the Fiscal Agent stating: (i) the occurrence of the relevant Trigger Event (and the details thereof); (ii) the Relevant Loss Absorption Amount; (iii) the Conversion Date; (iv) the effective Compulsory Conversion Price; (v) the procedures that the Offshore Preference Shareholders will need to follow to receive H Shares; and (vi) such further information as the Offshore Preference Shareholders may reasonably require, provided that any delay in notice shall not constitute a default under the Offshore Preference Shares or affect the Conversion of the Offshore Preference Shares on the Conversion Date.

Notwithstanding any other provision of these Conditions, after the occurrence of a Trigger Event, but prior to the occurrence of any Conversion in respect of such Trigger Event, the Company may apply to the relevant regulatory authorities for a written ruling, and if the relevant regulatory authorities determine and notify the Company in writing prior to the Conversion Date that the relevant Trigger Event has ceased to exist (due to a change in the regulatory capital of the Company or otherwise), the Company may not effect a Conversion of the Offshore Preference Shares in respect of that Trigger Event subject to the requirements of such relevant regulatory authorities. The Company shall notify the Offshore Preference Shareholders, the Fiscal Agent and the Registrar as soon as reasonably practicable following receipt of such written ruling.

Each Offshore Preference Shareholder shall be deemed to have authorised, directed and requested the Fiscal Agent and the Registrar to take any and all necessary action to give effect to any Conversion of Offshore Preference Shares following the occurrence of a Trigger Event. The H Shares issuable upon Conversion shall be issued to a nominee appointed by the Company (the "**Share Nominee**") to hold on behalf of the Offshore Preference Shareholders in accordance with this Condition 6.

The Offshore Preference Shares are not convertible into H Shares at the option of the Offshore Preference Shareholders at any time.

For the purposes of these Conditions:

"**Additional Tier 1 Capital**" has the meaning as defined in, or construed in accordance with, the AMC Capital Management Rules.

"**Additional Tier 1 Capital Instruments**" means any equity securities, bonds or other similar obligations issued or guaranteed by the Company that constitute Additional Tier 1 Capital of the Company pursuant to the relevant provisions under AMC Capital Management Rules.

"**Conversion Date**" means the day immediately following the Trigger Event Effective Date.

"**Trigger Event**" means the earlier of:

(i) the CBIRC having concluded that without a decision on a write-off or conversion into Ordinary Shares, the Company would become non-viable; and

(ii) the relevant regulatory authorities such as the MOF and the PBOC having concluded that without a decision on a public sector injection of capital or equivalent support, the Company would become non-viable.

As at the date of this Offering Circular, to the Company's knowledge, pursuant to Article 108 of the AMC Administrative Measures, the "relevant regulatory authorities" referred to in this Condition 6 (including paragraph (ii) in the definition above) are those which may determine whether a public sector injection of capital or equivalent support is necessary without which the Company would become non-viable, which includes the State Council, the MOF, the PBOC and the CBIRC. In making such determination (regarding paragraph (ii) in the definition above), the relevant regulatory authorities may consult each other and/or seek joint agreement among themselves. The AMC Administrative Measures will be subject to interpretation and application by the CBIRC and the other relevant regulatory authorities.

"**Trigger Event Business Day**" means a day other than a Saturday, Sunday or public holiday on which commercial banks are open for business in the PRC and Hong Kong.

"**Trigger Event Effective Date**" means the date on which the CBIRC or the relevant regulatory authorities has concluded that a Trigger Event has occurred and notified the Company (together with a public announcement) of the occurrence of such Trigger Event. If there is any uncertainty of the Trigger Event Effective Date, the date determined by the CBIRC or the relevant regulatory departments shall prevail.

"**Relevant Loss Absorption Amount**" means, in respect of any Trigger Event, the aggregate Liquidation Preference of the Offshore Preference Shares to be Converted, being:

(i) when the Offshore Preference Shares are Converted in full, the aggregate Liquidation Preference of all Offshore Preference Shares outstanding; or

(ii) when the Offshore Preference Shares are Converted in part only, such aggregate Liquidation Preference of the Offshore Preference Shares calculated based on the proportion that the outstanding aggregate Liquidation Preference of the Offshore Preference Shares bears to the total outstanding aggregate principal amount or liquidation preference value of all Additional Tier 1 Capital Instruments (including the Offshore Preference Shares).

"**Tier 2 Capital**" has the meaning as defined in or construed in accordance with AMC Capital Management Rules.

"**Tier 2 Capital Instruments**" means any equity securities, bonds or other similar obligations issued or guaranteed by the Company that constitute Tier 2 Capital of the Company pursuant to the relevant provisions under the AMC Capital Management Rules.

6.2 Compulsory Conversion Price

The initial compulsory conversion price for the Offshore Preference Shares is HK$4.52 per H Share, subject to adjustment as described in Condition 6.5 (the "**Compulsory Conversion Price**").

The initial Compulsory Conversion Price is equal to the net asset value per share attributable to equity holders of the parent company as disclosed in the Company's reviewed consolidated financial statements as at 30 June 2020 and denominated in Hong Kong dollars (which shall be converted with reference to the Central Parity Rate of Renminbi to Hong Kong dollars used by the interbank foreign exchange market as published by the China Foreign Exchange Trade System on the Trading Day prior to the announcement date of the Board resolution on the Offshore Preference Share issuance plan (being 3 December 2020) and rounded up to the nearest 2 decimal places).

6.3 Consequences of a Conversion

Once an Offshore Preference Share has been Converted as described in Condition 6.1, it will not be restored in any circumstances, including where the relevant Trigger Event ceases to continue.

The Company will, with effect from the relevant Conversion Date, enter such number of H Shares issuable under Condition 6.1 in the Company's register of holders of H Shares and such H Shares shall be initially registered in the name of the Share Nominee. The Company will, no later than 20 Trading Days following the Conversion Date (or such other period as the relevant regulatory authorities may require) (the "**Share Delivery Date**") issue to the Share Nominee to hold on behalf of the Offshore Preference Shareholders such number of H Shares issuable upon Conversion as is described under Condition 6.1 to be issued to the Offshore Preference Shareholders. If the Company fails to issue such H Shares, or there is any delay in the issue or delivery of such H Shares to the Share Nominee, the only right of the Offshore Preference Shareholders in respect of such failure or delay (subject as is described in Condition 6.4) will be to claim against the Company to have such H Shares so issued to the Share Nominee.

The Offshore Preference Shareholders shall be deemed to have waived all rights and claims in respect of the Offshore Preference Shares that have been Converted and shall be deemed irrevocably to have directed and authorised the Company to apply the Liquidation Preference representing such Offshore Preference Shares to fully pay up the H Shares to be issued and delivered to the Share Nominee on behalf of the Offshore Preference Shareholders.

The issue by the Company of such number of H Shares as is described under Condition 6.1 to the Share Nominee will satisfy all obligations of the Company in connection with the issue of H Shares to the Offshore Preference Shareholders in respect of the Conversion, and with effect from the issue of such H Shares to the Share Nominee, the rights of such Offshore Preference Shareholders in respect of such H Shares will be limited to their rights in respect of the H Shares as described in Condition 6.4.

6.4 Procedures for Conversion

In order to obtain delivery of H Shares as described in Condition 6.1, each Offshore Preference Shareholder will be required to:

(a) deliver the Certificate representing such Holder's Offshore Preference Shares to the Fiscal Agent; and

(b) notify the Fiscal Agent of: (i) its name, address (domicile), occupation or nature (or the name, address (domicile), occupation or nature of any person in whose name it directs the H Shares to be transferred) for entry into the register of holders of H Shares title and receipt of any certificates or holding statements in respect of the H Shares; and (ii) (if applicable) the details of any securities account to which H Shares may be credited, by delivering a signed conversion information notice (in the form of which shall be furnished upon request to any Offshore Preference Shareholder by the Fiscal Agent).

So long as the Offshore Preference Shares are represented by a Global Certificate and held through Euroclear, Clearstream, Luxembourg or any Alternative Clearing System and following the delivery of a Conversion Notice by the Company in accordance with the Conditions, the Holders of the Offshore Preference Shares shall give such information as is required to complete the issuance and delivery of the H Shares to the Fiscal Agent in accordance with the standard procedures of Euroclear, Clearstream, Luxembourg or such Alternative Clearing System (as the case may be) prior to the relevant prescribed time under the Conditions in a manner acceptable to Euroclear, Clearstream, Luxembourg or such Alternative Clearing System (as the case may be) from time to time. Deposit of the Global Certificate with the Fiscal Agent together with the relevant Conversion Information Notices (as defined in the Fiscal Agency Agreement) shall not be required.

The Company may, without the consent of the Holders of the Offshore Preference Shares, prescribe such further regulations regarding the delivery of the H Shares upon a Conversion which in its sole discretion deems reasonably necessary to reflect the prevailing rules, procedures and practices of the relevant clearing systems for the Offshore Preference Shares and the H Shares.

The Offshore Preference Shareholders delivering such information and Certificate must pay any taxes and capital, stamp, issue, registration and transfer taxes or duties arising on the Conversion of the Offshore Preference Shares (other than taxes or duties (if any) payable in the PRC or Hong Kong in respect of the issue and delivery of the H Shares issuable upon Conversion, which shall be paid by the Company). The Company will pay all other costs and expenses arising on the issue of the H Shares on such Conversion and all charges of the Fiscal Agent and the Share Nominee.

If for any reason (whether or not due to the fault of an Offshore Preference Shareholder), the Fiscal Agent does not receive the Certificate or the information specified above from an Offshore Preference Shareholder by the last Trading Day of the month following the month in which the relevant Share Delivery Date falls, the Share Nominee will sell the H Shares that would otherwise be deliverable to such Offshore Preference Shareholder in relation to the relevant Conversion and pay a cash amount equal to the net proceeds received from such sale (after deducting any applicable brokerage, stamp duty and other taxes and charges) to the relevant Offshore Preference Shareholder as soon as practicable after the relevant Offshore Preference Shareholder claims the amount.

Unless the Company is satisfied that the Applicable Shareholding Law would permit either unconditionally or after compliance with conditions which the Company (in its absolute discretion) deems as acceptable and not unduly onerous, an Offshore Preference Shareholder to acquire all or some of the H Shares otherwise deliverable to the Share Nominee to hold for such Offshore Preference Shareholder upon a Conversion (such number of H Shares as would otherwise be deliverable but which the relevant Offshore Preference Shareholder is in the opinion of the Company restricted from acquiring, the "**Restricted H Shares**"), the Restricted H Shares will be sold by the Share Nominee, and the Share Nominee will pay a cash amount equal to the net proceeds received from such sale (after deducting any applicable brokerage, stamp duty and other taxes and charges) to the relevant Offshore Preference Shareholder in accordance with the Conditions.

The Company will maintain all corporate authorisations necessary to issue and allot a sufficient number of H Shares to fulfil its obligations as described in this Condition 6.

Notwithstanding any other provision described in this Condition 6, the rights and obligations of the Company in connection with a Conversion and any issue of H Shares as described in this Condition 6 will be subject to the Company not being prevented by applicable law, order of any court or action of any government or regulatory authority (including a Winding-Up) from issuing such H Shares. If, on the relevant Conversion Date, this condition is not satisfied, then no H Shares will be issued or delivered in respect of the relevant Trigger Event, and the Offshore Preference Shareholders will cease to have any rights in respect of the Offshore Preference Shares that are subject to such Conversion.

The issuance and delivery of any H Shares to an Offshore Preference Shareholder by the Share Nominee in respect of a Conversion will be subject to the H Shares being listed or admitted to trading on the Hong Kong Stock Exchange by the relevant Share Delivery Date. If, on the relevant Conversion Date, this condition is not satisfied, then no H Shares will be issued or delivered in respect of the relevant Trigger Event, and the Offshore Preference Shareholders will cease to have any rights in respect of the Offshore Preference Shares that are subject to such Conversion.

All H Shares issued on Conversion will rank equally in all respects with existing issued H Shares, and all holders of H Shares issued on Conversion whose names appear on the register of members of the Company on the next following record date for Ordinary Share dividend entitlement will be entitled to receive the Ordinary Share dividend for the relevant Ordinary Share dividend period and enjoy the same rights.

6.5 Adjustments to the Compulsory Conversion Price

(a) If the Company shall issue any H Shares credited as fully paid up to the holders of H Shares by way of bonus issuance or capitalisation issue, the Compulsory Conversion Price shall be adjusted in accordance with the following formula:

$$P1 = P0 \times \frac{N}{(N + n)}$$

where:

"P1" denotes the Compulsory Conversion Price effective after such adjustment.

"P0" denotes the Compulsory Conversion Price effective before such adjustment.

"N" denotes the aggregate number of H Shares of the Company prior to such distribution of bonus shares or capitalisation issue of H Shares.

"n" denotes the number of new H Shares issued in such distribution of bonus shares or capitalisation issue.

Such adjustment shall become effective on the date on which any such new H Shares are issued.

(b) If (i) the Company shall issue any H Shares (excluding any increase in the share capital as a result of conversion of certain financial instruments issued by the Company that are convertible into Ordinary Shares) at a price per H Share which is less than the closing price per H Share (as published by the Hong Kong Stock Exchange) on the Trading Day immediately preceding the date of the first public announcement of such issuance of new shares (being the announcement containing the effective and irrevocable terms of such issuance) or (ii) the Company issues any H Shares by way of a rights issue, the Compulsory Conversion Price shall be adjusted in accordance with the following formula:

$$P1 = P0 \times \frac{(N + k)}{(N + n)}; k = n \times \frac{A}{M};$$

where:

"P1"	denotes the Compulsory Conversion Price effective after such adjustment.
"P0"	denotes the Compulsory Conversion Price effective before such adjustment.
"N"	denotes the aggregate number of H Shares of the Company prior to such issuance of new shares or rights issue of H Shares.
"n"	denotes the number of new H Shares issued in such issuance of new shares or rights issue of H Shares.
"A"	denotes the price of new H Shares issued in such issuance of new shares or rights issue of H Shares.
"M"	denotes the closing price per H Share (as published by the Hong Kong Stock Exchange) on the Trading Day immediately preceding the date of the first public announcement of such issuance of new shares or rights issue of H Shares (being the announcement containing the effective and irrevocable terms of such issuance or rights issue).

Such adjustment shall become effective on the date on which any such new H Shares are issued.

(c) In the event that the rights and interests of the Offshore Preference Shareholders may be affected by any repurchase of the Ordinary Shares by the Company, any merger or division of the Company or any other circumstances that may cause changes in the Company's share class, number of shares and/or shareholders' equity, the Company shall have the right to adjust the Compulsory Conversion Price based on the actual circumstances and in accordance with principles of fairness, justice and equity as well as to fully protect the rights and interest of the Offshore Preference Shareholders and the Ordinary Shareholders. The adjustment mechanism for the Compulsory Conversion Price in these circumstances will be determined in accordance with applicable regulations.

(d) Notwithstanding any of the provisions above, any adjustments to the Compulsory Conversion Price under the events described in Conditions 6.5(a) to 6.5(c) above shall be made according to the order of occurrence of such events and on a cumulative basis.

(e) Notwithstanding any of the provisions above, no adjustment to the Compulsory Conversion Price will be made:

(i) as a result of any Cash Distribution declared or paid to holders of Ordinary Shares;

(ii) to the extent any H Shares or other securities (including rights or options) are issued, offered, exercised, allotted or granted to, or for the benefit of employees, consultants, officers and directors of the Company or any subsidiary of the Company pursuant to any employee share scheme or plan (and which employee share scheme or plan is and, following such issue, offer, exercise, allotment or grant, remains in compliance with the listing rules of the Hong Kong Stock Exchange);

(iii) if an increase in the Compulsory Conversion Price would result from such adjustment, except in case of a consolidation of H Shares or any other adjustment to the Compulsory Conversion Price pursuant to Condition 6.5(c); or

(iv) if it would result in the Compulsory Conversion Price being reduced below the par value of an H Share.

(f) In the case of a Conversion which occurs after the record date for the establishment of entitlement for any such issuance of H Shares as mentioned in Condition 6.5(a), 6.5(b) or 6.5(c) above, but before the relevant adjustment to the Compulsory Conversion Price becomes effective under such Condition 6.5(a), 6.5(b) or 6.5(c) (as the case may be), the number of H Shares issuable upon such Conversion shall be determined in accordance with the then Compulsory Conversion Price as at the relevant Conversion Date and there shall not be any retroactive adjustment of the Compulsory Conversion Price nor any increase to the number of H Shares issuable for such Conversion.

(g) For the purposes of any calculation of the issue price receivable pursuant to Condition 6.5(b) above, the following provisions apply:

(i) if the issue price determined is for cash, it shall be, if in a currency other than Hong Kong dollars, converted into Hong Kong dollars at the Prevailing Rate on the day immediately preceding the relevant effective date for the Compulsory Conversion Price adjustments referred to in Condition 6.5(b) above;

(ii) in determining the issue price pursuant to the above, no deduction shall be made for any commissions or fees or any expenses (howsoever described) paid or incurred for any underwriting, placing or management of the issue of relevant H Shares; and

(iii) the issue price shall be determined as provided above on the basis of the issue price received or receivable, regardless of whether all or part thereof is received or receivable, by or to the Company or another entity.

(h) If any doubt shall arise as to whether an adjustment is required to be made to the Compulsory Conversion Price or as to the appropriate adjustment to the Compulsory Conversion Price (including, without limitation, as to the determination of any effective date), the Company may at its discretion consult an Independent Adviser, following which a written determination of such Independent Adviser in respect thereof and that (other than in the case of a consolidation affecting the number of H Shares) such adjustment is for anti-dilution purposes, shall be conclusive and binding on all parties, save in the case of manifest error.

(i) On any adjustment, the resulting Compulsory Conversion Price, if not an integral multiple of one Hong Kong cent, shall be rounded down to the nearest integral multiple of one Hong Kong cent. No adjustment shall be made to the Compulsory Conversion Price where such adjustment (rounded down if applicable) would be less than 1% of the Compulsory Conversion Price then in effect. Any adjustment not required to be made and/or any amount by which the Compulsory Conversion Price has been rounded down shall be carried forward and taken into account in any subsequent adjustment, and such subsequent adjustment shall be made on the basis that the adjustment not required to be made had been made at the relevant time and/or, as the case may be, that the relevant rounding down had not been made.

(j) Notice of any adjustments to the Compulsory Conversion Price shall be given by the Company to the Fiscal Agent and the Offshore Preference Shareholders as described in Condition 12 promptly after the determination thereof.

7 REDEMPTION

7.1 No Maturity Date

The Offshore Preference Shares are perpetual and have no maturity date. The Company will only have the right to redeem the Offshore Preference Shares as described in this Condition 7. The Offshore Preference Shares are not redeemable at the option of the Offshore Preference Shareholders, and the Offshore Preference Shareholders do not have the right to put back the Offshore Preference Shares to the Company.

7.2 Optional Redemption

The Company may, subject to obtaining CBIRC Approval and compliance with the conditions to the distribution of Dividends set out in Condition 4.5 and the Redemption Preconditions, upon not less than 30 nor more than 60 days' notice to the Offshore Preference Shareholders and the Fiscal Agent, redeem all or part of the Offshore Preference Shares on the First Reset Date and on any Dividend Payment Date thereafter, until all the Offshore Preference Shares have been redeemed or Converted. The redemption price for each Offshore Preference Share so redeemed shall be the aggregate of an amount equal to its Liquidation Preference plus any declared but unpaid Dividends in respect of the period from (and including) the immediately preceding Dividend Payment Date to (but excluding) the date scheduled for redemption.

Concurrent with the giving of any such redemption notice pursuant to this Condition 7.2, the Company shall make a public announcement of the details of such redemption notice.

All Offshore Preference Shares which are the subject of any redemption notice given pursuant to Condition 7.2, shall be redeemed on the date, the place and pursuant to the method set out in any such redemption notice.

For the purpose of these Conditions:

"**Redemption Preconditions**" means, in relation to any redemption of the Offshore Preference Shares, the Company's compliance of the following conditions:

(a) the Company shall use capital instruments of the same or superior quality to replace the Offshore Preference Shares to be redeemed and such replacement shall only be made at a time at which the Company has a sustainable income generating capability; or

(b) the capital position of the Company immediately after redemption of the Offshore Preference Shares will remain significantly higher than the regulatory capital requirements prescribed by the CBIRC and other relevant regulatory authorities.

In the case of a partial redemption of Offshore Preference Shares, the Offshore Preference Shares shall be redeemed by the Company (i) on a pro rata basis or (ii) by such other method and in such place as the Company deems fit acting in good faith and after consultation with the Fiscal Agent.

So long as the Offshore Preference Shares are represented by a Global Certificate and the Global Certificate is held on behalf of Euroclear, Clearstream, Luxembourg or any Alternative Clearing System, any such partial redemption by the Company shall be effected in accordance with the rules and procedures of Euroclear, Clearstream, Luxembourg or any Alternative Clearing System, as the case may be.

7.3 Purchase Restrictions

The Company undertakes that, unless otherwise permitted by the CBIRC:

(a) neither it nor any affiliates controlled by it or over which it has significant influence shall purchase any Offshore Preference Shares; and

(b) it shall not directly or indirectly provide any financing for the purchase of any Offshore Preference Shares.

Any purchase of the Offshore Preference Shares permitted by the CBIRC shall be made by the Company or any such affiliates, subject to applicable laws and regulations, at any price in the open market or otherwise.

8 TAXATION AND WITHHOLDING

All payments of Liquidation Preference and/or Dividends in respect of the Offshore Preference Shares will be made free and clear of, and without withholding or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatsoever nature imposed or levied by or on behalf of the PRC or any political subdivision or any authority thereof or therein having power to levy tax in the PRC, unless such withholding or deduction is required by the law of the PRC. In that event, the Company shall pay such additional amounts as will result in the receipt by the Offshore Preference Shareholders of such amounts as would have been received by them if no such withholding or deduction had been required, provided, however, that no such additional amounts shall be payable in respect of any Offshore Preference Shares:

(a) to an Offshore Preference Shareholder who is liable to such taxes, duties, assessments or governmental charges in respect of such Offshore Preference Share by reason of its having some connection with the PRC other than the mere holding of such Offshore Preference Share;

(b) to an Offshore Preference Shareholder who would not be liable for or subject to such withholding or deduction by making a declaration of identity, non-residence or other similar claim for exemption to the relevant tax authority if, after having been requested to make such a declaration or claim, such Holder fails to do so within any applicable period prescribed by such relevant tax authority; or

(c) in respect of which the Certificate representing it is surrendered for payment more than 30 days after the Relevant Date, except to the extent that the Offshore Preference Shareholder would have been entitled to such additional amounts if it had surrendered such Certificate on the last day of such period of 30 days.

For the avoidance of doubt, the Company's obligation to pay additional amounts in respect of taxes, duties, assessments and other governmental charges, will not apply to (a) any estate, inheritance, gift, sales, transfer, personal property or any similar tax, duty, assessment or other governmental charge or (b) any tax, duty, assessment or other governmental charge that is payable otherwise than by deduction or withholding from payments of Liquidation Preference of or Dividend on the Offshore Preference Shares; provided that the Company shall pay all stamp or other taxes, duties, assessments or other governmental charges, if any, that may be imposed by the PRC or any political subdivision thereof or any taxing authority thereof or therein as a consequence of the issuance of the Offshore Preference Shares.

Any reference in these Conditions to Liquidation Preference or Dividend with respect to the Offshore Preference Shares will be deemed to include any additional amounts payable by the Company in respect of such Liquidation Preference or Dividend as described above in this Condition 8.

The Agents shall not be responsible for paying any tax, duty, charges, assessments, governmental charges, withholding or other payment referred to in this Condition 8 or otherwise in connection with the Offshore Preference Shares or for determining whether such amounts are payable or the amount thereof, and none of them shall be responsible or liable for any failure by the Company, any Holder or any third party to pay such tax, duty, charges, assessments, governmental charges, withholding or other payment in any jurisdiction or be responsible to provide any notice or information in relation to the Offshore Preference Shares in connection with payment of such tax, duty, charges, assessments, governmental charges, withholding or other payment imposed by or in any jurisdiction, including without limitation any notice or information that would permit, enable or facilitate the payment of any liquidation preference, dividend or other amount under or in respect of the Offshore Preference Shares without deduction or withholding for or on account of any tax, duty, charges, assessments, governmental charges, withholding or other payment imposed by or in any jurisdiction.

9 PRESCRIPTION

Any Dividend unclaimed after a period of six years from the date when it became due for payment shall be forfeited and shall revert to the Company, and the payment by the Board of any unclaimed Dividend or other sum payable on or in respect of an Offshore Preference Share into a separate account shall not constitute the Company a trustee in respect of it. No Dividend or other monies payable on or in respect of the Offshore Preference Shares shall bear interest as against the Company.

10 VOTING RIGHTS

10.1 Limited Voting Rights

Pursuant to the Articles, Offshore Preference Shareholders shall not be entitled to convene, attend or vote at any shareholders' general meeting of the Company, other than in the following circumstances:

(a) amendments to the Articles that relate to Preference Shares;

(b) reduction of the registered capital of the Company by more than 10% on a single or aggregate basis;

(c) merger, division, dissolution or change of the corporate form of the Company;

(d) issuance of Preference Shares by the Company; and

(e) other events specified in the laws, administrative regulations and departmental rules and the Articles,

(each, a "**Special Resolution**") in which case the Offshore Preference Shareholders will be entitled to attend the shareholders' general meeting of the Company and vote only upon such Special Resolution, and the Offshore Preference Shareholders will be entitled to one vote in respect of each outstanding Offshore Preference Share and vote together with other Preference Shareholders as a separate class from the Ordinary Shareholders. The Offshore Preference Shares held by, or on behalf of, the Company shall have no voting rights.

Any Special Resolution shall be approved by more than two-thirds of votes held by the holders of Ordinary Shares present at the meeting (including Preference Shareholders with restored voting rights) and by more than two-thirds of votes held by the Preference Shareholders present at the meeting (excluding Preference Shareholders with restored voting rights).

The Company shall, in accordance with the Articles, notify the Offshore Preference Shareholders of any shareholders' general meeting which involves a Special Resolution.

10.2 Restoration of Voting Rights

Subject to the cancellation of restored voting rights as described in Condition 10.3, if:

(a) the Company fails to pay the Dividends in full on the Offshore Preference Shares in accordance with these Conditions for two consecutive financial years; or

(b) the Company fails to pay the Dividends in full on the Offshore Preference Shares in accordance with these Conditions for a total of three financial years in aggregate since the Issue Date, or, if restored voting rights have been cancelled pursuant to Condition 10.3, the most recent date on which restored voting rights were cancelled pursuant thereto,

then, as from the day immediately after the date on which the shareholders' general meeting resolves that the Company will not pay in full, in the case of Condition 10.2(a) above, the second such Dividend or, in the case of Condition 10.2(b) above, the third such Dividend, each Holder of an Offshore Preference Share shall, to the extent permitted under Applicable Shareholding Law, be entitled to attend and vote upon any resolution proposed at any shareholders' general meeting as if he or she was the holder of such number of Ordinary Shares as is equal to the aggregate Liquidation Preference of the Offshore Preference Shares (as converted into Hong Kong dollars at the fixed exchange rate of U.S.$1.00 to HK$7.7522) divided by the initial Compulsory Conversion Price (being HK$4.52 per H Share) (without further adjustment) rounded down (to the extent permitted by applicable laws and regulations) to the nearest whole number of H Shares.

The above fixed exchange rate is based on the cross rate between Hong Kong dollars and U.S. dollars based on the Renminbi central parity rate published by the China Foreign Exchange Trade System on the Trading Day immediately preceding the date of the announcement of the Board resolution (being 3 December 2020) in respect of the issuance plan of the Offshore Preference Shares, rounded to the nearest four decimal places (5 in the fifth decimal place being rounded upwards).

10.3 Cancellation of Restored Voting Rights

Any voting rights granted to the Offshore Preference Shareholders as described in Condition 10.2 will be cancelled from the date on which the next scheduled Dividend is paid in full. For the avoidance of doubt, voting rights may be subsequently restored if the circumstances described in Condition 10.2 reoccur following such cancellation.

11 FURTHER ISSUES

The Company may from time to time create and issue further Preference Shares ranking as regards participation in the profits and assets of the Company equally in all respects with the Offshore Preference Shares and so that any such further Preference Shares may be denominated in any currency and may carry as regards participation in the profits and assets of the Company rights identical in all respects to those attaching to the Offshore Preference Shares.

12 NOTICES

A notice may be given by the Company to any Holder of Offshore Preference Shares by sending it by prepaid mail to the Holder's registered address. Service of the notice shall be deemed to be effected on the fifth day (being a day other than a Saturday or Sunday) after the date of mailing by properly addressing, prepaying and posting such notice. Where a Holder's registered address is outside the PRC, all notices shall be sent to that Holder by prepaid air mail. In addition, for so long as the Offshore Preference Shares are listed and admitted to trading on any stock exchange, notices shall be given in accordance with any requirements of such stock exchange.

So long as the Offshore Preference Shares are represented by a Global Certificate and the Global Certificate is held on behalf of Euroclear, Clearstream, Luxembourg or any Alternative Clearing System, each Offshore Preference Shareholder shall be deemed to have acknowledged and agreed that the Company is permitted to send or otherwise make available any corporate communication to the Holders of such Offshore Preference Shares using electronic means (which term includes sending or otherwise making available the corporate communication to such Offshore Preference Shareholders in electronic format) in the manner further described in the Global Certificate.

13 AGENTS

The Company has appointed Agents in respect of the Offshore Preference Shares. Under the terms of the Fiscal Agency Agreement, the Company has the right to terminate the appointment of any of the Fiscal Agent, Registrar, Calculation Agent, Paying Agents or Transfer Agents and appoint any successor thereto. In acting under the Fiscal Agency Agreement and in connection with the Offshore Preference Shares, the Agents act as agents of the Company (except in the limited circumstances as specified in the Fiscal Agency Agreement) in the manner as specified in the Fiscal Agency Agreement and do not assume any obligations towards or relationship of agency or trust for or with any of the Offshore Preference Shareholders. The Fiscal Agency Agreement and any duty or obligation of any Agent under the Fiscal Agency Agreement or otherwise relating to the Offshore Preference Shares are governed by, and shall be construed in accordance with, Hong Kong law.

14 GOVERNING LAW AND ARBITRATION

14.1 Governing Law

The Offshore Preference Shares and the rights and obligations attached to them are governed by, and shall be construed in accordance with, PRC law.

14.2 Arbitration

Pursuant to the Articles, the Company and the Offshore Preference Shareholders shall abide by the following dispute settlement procedures:

(a) Any dispute or claim of rights relating to the affairs of the Company and arising between holders of overseas listed shares (including the Offshore Preference Shares) and the Company, or between holders of overseas listed shares (including the Offshore Preference Shares) and directors, supervisors or senior management members of the Company, or between holders of overseas listed shares (including the Offshore Preference Shares) and holders of other shares, and arising as a result of the rights and obligations provided for in the Articles, the Company Law and other applicable laws, administrative regulations, shall be referred to arbitration by the parties involved.

Where a dispute or claim of rights referred to in the preceding paragraph is referred to arbitration, the entire claim or dispute must be referred to arbitration, and all persons who have a cause of action based on the same facts giving rise to the dispute or claim or whose participation is necessary for the resolution of such dispute or claim, where the persons being the Company or shareholders, directors, supervisors or senior management members of the Company, shall comply with the arbitration.

Disputes in respect of the definition of Offshore Preference Shareholders and in relation to the Register need not be resolved by arbitration.

(b) A claimant may elect for arbitration to be carried out at either the China International Economic and Trade Arbitration Commission in accordance with its arbitration rules or the Hong Kong International Arbitration Centre in accordance with its securities arbitration rules. Once a claimant refers a dispute or claim to arbitration, the other party must submit to the arbitral body elected by the claimant.

If the claimant elects for arbitration to be carried out at the Hong Kong International Arbitration Centre, any party may request the arbitration to be conducted in Shenzhen in accordance with the securities arbitration rules of the Hong Kong International Arbitration Centre.

(c) The resolution of any dispute or claim of rights referred to in Condition 14.2(a) above by arbitration is subject to the PRC laws, unless otherwise required by the laws and administrative regulations.

(d) An arbitral award made by the arbitral body is final and binding on all parties.

15 CURRENCY INDEMNITY

U.S. dollars is the sole currency of account and payment for all sums payable by the Company under or in connection with the Offshore Preference Shares, including damages. Any amount received or recovered in a currency other than U.S. dollars (whether as a result of, or of the enforcement of, a judgment or order of a court of any jurisdiction, in the Winding-Up of the Company or otherwise) by any Offshore Preference Shareholder in respect of any sum expressed to be due to it from the Company shall only constitute a discharge to the Company to the extent of the U.S. dollar amount which the recipient is able to purchase with the amount so received or recovered in that other currency on the date of that receipt or recovery (or, if it is not practicable to make that purchase on that date, on the first date on which it is practicable to do so). If that U.S. dollar amount is less than the U.S. dollar amount expressed to be due to the recipient under any Offshore Preference Share, the Company shall indemnify such recipient against any loss sustained by it as a result. In any event, the Company shall indemnify such recipient against the cost of making any such purchase. For the purposes of this Condition 15, it will be sufficient for the Offshore Preference Shareholder to demonstrate that it would have suffered a loss had an actual purchase been made. These indemnities constitute a separate and independent obligation from the Company's other obligations, shall give rise to a separate and independent cause of action, shall apply irrespective of any indulgence granted by any Offshore Preference Shareholder and shall continue in full force and effect despite any other judgment, order, claim or proof for a liquidated amount in respect of any sum due under any Offshore Preference Share or any other judgment or order.

16 DEFINITIONS

"**Additional Tier 1 Capital**" has the meaning specified in Condition 6.1.

"**Additional Tier 1 Capital Instruments**" has the meaning specified in Condition 6.1.

"**Agents**" has the meaning specified in Condition 1.

"**Alternative Clearing System**" has the meaning specified in Condition 2.3.

"**AMC Administrative Measures**" means the Administrative Measures on Financial Asset Management Companies jointly issued by the former China Banking Regulatory Commission, the MOF, the PBOC, the CSRC and the former China Insurance Regulatory Commission on 14 August 2014, which became effective on 1 January 2015 (as amended from time to time).

"**AMC Capital Management Rules**" means the Capital Management Measures for Financial Asset Management Companies (Provisional) issued by the former China Banking Regulatory Commission on 26 December 2017, which became effective on 1 January 2018 (as amended from time to time).

"**Applicable Shareholding Law**" means the relevant rules of the CSRC, the CBIRC, the Hong Kong Securities and Futures Commission or the Hong Kong Stock Exchange and any other law in force in the PRC or Hong Kong that limits or restricts the number of Ordinary Shares that a person may have an interest in or over which it may have a right or power.

"**Articles**" has the meaning specified in Condition 1.

"**Authorised Denomination**" has the meaning specified in Condition 2.1.

"**Benchmark Rate**" means the rate per annum (expressed as a percentage) as determined by the Calculation Agent that is equal to the yield representing the average of the daily yields for the week immediately prior to the relevant Reset Determination Date as derived from the most recently published statistical release designated "H.15" or any successor publication that is published by the Board of Governors of the Federal Reserve System and that establishes yields on actively traded U.S. Treasury securities adjusted to constant maturity under the caption "Treasury constant maturities" for the maturity corresponding to the Comparable Treasury Issue. If there is no Comparable Treasury Issue with a maturity within three months before or after the next succeeding Reset Date, yields for the two published maturities most closely corresponding to the Comparable Treasury Issue will be determined and the Benchmark Rate will be interpolated or extrapolated from such yields on a straight line basis (rounding to the nearest month). If such release (or any successor release) is not published during the week preceding the relevant Reset Determination Date or does not contain such yields, "Benchmark Rate" shall mean the rate per annum (expressed as a percentage) equal to the yield to maturity of the Comparable Treasury Issue, calculated using a price for the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price for the relevant Reset Determination Date. If there is no Comparable Treasury Price for the relevant Reset Determination Date, "Benchmark Rate" means the rate per annum (expressed as a percentage) as determined by the Calculation Agent that is equal to the yield representing the average of the daily yields for the week that was last available prior to the relevant Reset Determination Date as derived from the most recently published statistical release designated "H.15" or any successor publication that is published by the Board of Governors of the Federal Reserve System and that establishes yields on actively traded U.S. Treasury securities adjusted to constant maturity under the caption "Treasury constant maturities" for the maturity corresponding to the Comparable Treasury Issue. The Benchmark Rate will be calculated on the relevant Reset Determination Date.

"**Board**" means the board of directors of the Company.

"**Business Day**" means a day, excluding a Saturday and a Sunday, on which banks are open for general business (including dealing in foreign exchange and foreign currency deposits) in New York City and the city in which the specified office of the Calculation Agent is located.

"**Calculation Agen**t" has the meaning specified in Condition 1.

"**Calculation Amount**" has the meaning specified in Condition 4.3.

"**Cash Distribution**" means any dividend or distribution in respect of the Ordinary Shares which is to be paid or made to holders of Ordinary Shares as a class in cash (whatever the currency) and however described and whether payable out of share premium account, profits, undistributed profits or any other capital or revenue reserve or account, and including a distribution or payment to holders of Ordinary Shares upon or in connection with a reduction of capital unless such reduction of capital results in an adjustment to the Compulsory Conversion Price pursuant to Condition 6.5(c).

"**CBIRC**" means the China Banking and Insurance Regulatory Commission (中國銀行保險監督管理委員會) (which expression shall include the former China Banking Regulatory Commission which was merged with the former China Insurance Regulatory Commission as the CBIRC in April 2018) or any other banking and insurance regulatory authority of the State Council or any successor entity, including their respective local counterparts.

"**CSRC**" means the China Securities Regulatory Commission (中國證券監督管理委員會) or any successor entity.

"**CBIRC Approval**" means such approval, consent or non-objection from, or reporting to, the CBIRC, or such waiver in relation to the AMC Administrative Measures from the CBIRC.

"**Certificate**" has the meaning specified in Condition 2.1.

"**Clearstream, Luxembourg**" has the meaning specified in Condition 2.3.

"**Company**" has the meaning specified in Condition 1.

"**Company Law**" means the Company Law of the PRC (《中國人民共和國公司法》), as amended from time to time.

"**Comparable Treasury Issue**" means the U.S. Treasury security selected by the Company as having a maturity of five years that would be utilised, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities with a maturity of five years.

"**Comparable Treasury Price**" means, with respect to the relevant Reset Determination Date, the average of three Reference Treasury Dealer Quotations for such Reset Determination Date.

"**Compulsory Conversion Price**" has the meaning specified in Condition 6.2.

"**Conditions**" means the terms and conditions of the Offshore Preference Shares.

"**Conversion**" has the meaning specified in Condition 6.1.

"**Conversion Date**" has the meaning specified in Condition 6.1.

"**Conversion Notice**" has the meaning specified in Condition 6.1.

"**Converted**" has the meaning specified in Condition 6.1.

"**Dividend**" has the meaning specified in Condition 4.

"**Dividend Payment Date**" has the meaning specified in Condition 4.2.

"**Dividend Period**" has the meaning specified in Condition 4.2.

"**Dividend Rate**" means the Initial Dividend Rate and/or the applicable Reset Dividend Rate, as the case may be.

"**Euroclear**" has the meaning specified in Condition 2.3.

"**First Reset Date**" means 3 November 2026.

"**Fiscal Agency Agreement**" has the meaning specified in Condition 1.

"**Fiscal Agent**" has the meaning specified in Condition 1.

"**Global Certificate**" has the meaning specified in Condition 2.3.

"**H Shares**" means the overseas listed Ordinary Shares issued by the Company with a par value of RMB1.00 each that are listed on the Hong Kong Stock Exchange under the stock code 1359 and traded in Hong Kong dollars.

"**Hong Kong**" means the Hong Kong Special Administrative Region of the People's Republic of China.

"**Hong Kong Stock Exchange**" means The Stock Exchange of Hong Kong Limited.

"**IFRS**" means International Financial Reporting Standards issued by the International Accounting Standards Board, as amended from time to time.

"**Independent Adviser**" means any independent investment bank or financial advisor of international standing appointed by the Company at its own expense from time to time for the purposes of carrying out the duties described in these provisions, and in performing such role, such entity shall have regard to the interests of the Company and the Offshore Preference Shareholders alike.

"**Initial Dividend Rate**" has the meaning specified in Condition 4.1.

"**Issue Date**" has the meaning specified in Condition 1.

"**Liquidation Preference**" has the meaning specified in Condition 2.1.

"**MOF**" means the Ministry of Finance of the PRC.

"**Offshore Preference Share**" has the meaning specified in Condition 1.

"**Offshore Preference Shareholder**" or "**Holder**" has the meaning specified in Condition 1.

"**Offshore Preference Shares Deed of Covenant**" has the meaning specified in Condition 1.

"**Ordinary Shares**" means the H Shares and any other class of ordinary shares of the Company.

"**Ordinary Shareholders**" means the holders of the Ordinary Shares.

"**Parity Obligation Dividend Cancellation Resolution**" means a resolution of the Shareholders that resolves irrevocably to cancel payment (and if in part, then in proportion to the full amounts payable) of each dividend or distribution scheduled for payment on the Offshore Preference Shares and any Parity Obligations outstanding on the date the resolution is passed, in each case for a period of 12 months (or such longer period as such resolution specifies which is in integral multiples of 12 months in excess thereof) following the date of such resolution.

"**Parity Obligations**" means any other class of Preference Shares in the capital of the Company issued from time to time and any other obligations that rank, or are expressed to rank equally with the Offshore Preference Shares (either issued directly by the Company or by a subsidiary where the terms of such obligations benefit from a guarantee or support agreement whereby obligations therein rank or are expressed to rank equally to the Offshore Preference Shares), whether issued outside of the PRC or otherwise.

"**Paying Agent**" has the meaning specified in Condition 1.

"**Payment Business Day**" means, a day other than a Saturday or Sunday on which banks are open for general business in New York City, Beijing, Hong Kong and the city in which the specified office of the Fiscal Agent is located.

"**PBOC**" means the People's Bank of China.

"**PRC**" means the People's Republic of China, excluding for the purpose of the Conditions only, the Hong Kong Special Administrative Region of the People's Republic of China, the Macau Special Administrative Region of the People's Republic of China and Taiwan region of the People's Republic of China.

"**PRC GAAP**" means the Chinese Accounting Standards for Business Enterprises, as amended from time to time.

"**Preference Shareholders**" means the holders of the Preference Shares.

"**Preference Shares**" means the Offshore Preference Share and any other preference shares issued by the Company from time to time.

"**Prevailing Rate**" means, in respect to any currencies on any day, the spot rate of exchange between the relevant currencies prevailing at 11.00 a.m. (Hong Kong time) on that date as appearing on or derived from the relevant page on Bloomberg that displays the relevant information. If such spot rate does not so appear, or if the relevant page is unavailable at 11.00 a.m. (Hong Kong time) on that date, the "Prevailing Rate" shall mean, in respect to any currencies on any day, the spot rate of exchange between the relevant currencies prevailing at 11.00 a.m. (Hong Kong time) on that date as appearing on or derived from the relevant page on Reuters (or if such spot rate does not so appear, or if the relevant page is unavailable at 11.00 a.m. (Hong Kong time) on that date, such other information service provider). If such a rate cannot be determined at such time, the "Prevailing Rate" shall mean the rate prevailing, determined as provided above, on the immediately preceding day on which the same can be so determined.

"**Receiving Agency Agreement**" has the meaning specified in Condition 1.

"**Receiving Agent**" has the meaning specified in Condition 1.

"**Redemption Preconditions**" has the meaning specified in Condition 7.2.

"**Reference Treasury Dealer**" means each of the three nationally recognised investment banking firms selected by the Company that are primary U.S. Government securities dealers.

"**Reference Treasury Dealer Quotations**" means with respect to each Reference Treasury Dealer and a Reset Determination Date, the average, as determined by the Calculation Agent, of the bid and asked prices for the Comparable Treasury Issue, expressed in each case as a percentage of its principal amount, quoted in writing to the Company and the Calculation Agent by such Reference Treasury Dealer at or around 6.00 p.m. (New York City time) on such Reset Determination Date.

"**Register**" has the meaning specified in Condition 2.1.

"**Registrar**" has the meaning specified in Condition 1.

"**Relevant Date**" means the later of: (a) the date on which the payment in question first becomes due, and (b) if the full amount payable has not been paid on or prior to such due date, the date on which the full amount has been paid and notice to that effect has been given to the Offshore Preference Shareholders.

"**Relevant Loss Absorption Amount**" has the meaning specified in Condition 6.1.

"**Reset Date**" has the meaning specified in Condition 4.1.

"**Reset Determination Date**" means, in relation to a Reset Period, the day falling two Business Days prior to the Reset Date on which such Reset Period commences.

"**Reset Dividend Rate**" has the meaning specified in Condition 4.1.

"**Reset Period**" means the period from and including the First Reset Date to but excluding the next succeeding Reset Date, and each successive period from and including a Reset Date to but excluding the next succeeding Reset Date.

"**Restricted H Shares**" has the meaning specified in Condition 6.4.

"**Share Delivery Date**" has the meaning specified in Condition 6.3.

"**Share Nominee**" has the meaning specified in Condition 6.1.

"**Special Resolution**" has the meaning specified in Condition 10.1.

"**State Council**" means the PRC State Council.

"**Tier 2 Capital**" has the meaning specified in Condition 6.1.

"**Tier 2 Capital Instruments**" has the meaning specified in Condition 6.1.

"**Trading Day**" means any day (other than a Saturday or a Sunday) on which the Hong Kong Stock Exchange is open for business and the H Shares may be traded.

"**Transfer Agent**" has the meaning specified in Condition 1.

"**Trigger Event**" has the meaning specified in Condition 6.1.

"**Trigger Event Business Day**" has the meaning specified in Condition 6.1.

"**Trigger Event Effective Date**" has the meaning specified in Condition 6.1.

"**U.S. Internal Revenue Code**" has the meaning specified in Condition 5.2.

"**Winding-Up**" means proceedings in respect of the Company for liquidation, dissolution, insolvency or other similar proceeding in respect of the Company (except for the purposes of a reconstruction, consolidation, amalgamation, merger or reorganisation the terms of which have previously been approved by a Special Resolution of the Offshore Preference Shareholders).

SUMMARY OF PROVISIONS RELATING TO THE OFFSHORE PREFERENCE SHARES WHILE IN GLOBAL FORM

The Global Certificate in respect of the Offshore Preference Shares contains provisions which apply to the Offshore Preference Shares while they are in global form, some of which modify the effect of the Terms and Conditions of the Offshore Preference Shares set out in this Offering Circular. The following is a summary of certain of those provisions.

The Offshore Preference Shares will be represented by a Global Certificate which will be registered in the name of a nominee of, and deposited with, a common depositary on behalf of Euroclear and Clearstream, Luxembourg.

Under a Global Certificate, the Company, for value received, will promise to pay such amounts under the Offshore Preference Shares to the Offshore Preference Shareholders on such date or dates as such amounts may become payable in accordance with the Conditions.

The Global Certificate will become exchangeable in whole, but not in part, for individual definitive Certificates if Euroclear, Clearstream, Luxembourg or any other alternative clearing system (an "**Alternative Clearing System**") is closed for business for a continuous period of 14 days (other than by reason of legal holidays) or announces an intention permanently to cease business.

Whenever the Global Certificate is to be exchanged for individual definitive Certificates, such individual definitive Certificates will be issued in an aggregate Liquidation Preference of the Offshore Preference Shares represented by the Global Certificate within five business days of the delivery, by or on behalf of the registered holder of such Global Certificate, Euroclear and/or Clearstream, Luxembourg, to the Registrar of such information as is required to complete and deliver such individual definitive Certificates (including, without limitation, the names and addresses of the persons in whose names the individual definitive Certificates are to be registered and the aggregate Liquidation Preference of each such person's holding) against the surrender of such Global Certificate at the Specified Office of the Registrar.

If (i) individual definitive Certificates have not been issued and delivered by 5.00 p.m. (London time) on the thirtieth day after the date on which the same are due to be issued and delivered in accordance with the terms of the Global Certificate; (ii) any amount in respect of any Offshore Preference Shares is not paid when due and payable; or (iii) upon Winding-Up of the Company, then, at such respective time, each accountholder or participant with Euroclear and/or Clearstream, Luxembourg (or any Alternative Clearing System) which at the relevant determination date has credited to its securities account with such clearing system one or more entries in respect of the Global Certificate (each an "**Accountholder**") shall acquire under the deed of covenant (the "**Offshore Preference Shares Deed of Covenant**") rights of enforcement against the Company (the "**Direct Rights**") to compel the Company to perform its obligations to the holder of the Global Certificate in respect of the Offshore Preference Shares represented by the Global Certificate, including the obligation of the Company to make all payments when due at any time in respect of such Offshore Preference Shares in accordance with the Conditions as if it appeared on the register for the Offshore Preference Shares as the registered holder of the relevant Offshore Preference Shares.

The Direct Rights shall be without prejudice to the rights which the holder of the Global Certificate may have under the Global Certificate or otherwise. Payment to the holder of the Global Certificate in respect of any Offshore Preference Shares represented by the Global Certificate shall constitute a discharge of the Company's obligations under the relevant Offshore Preference Shares and the Offshore Preference Shares Deed of Covenant to the extent of any such payment and nothing in the Offshore Preference Shares Deed of Covenant shall oblige the Company to make any payment under the relevant Offshore Preference Shares to or to the order of any person other than the holder of the Global Certificate.

As a condition of any exercise of Direct Rights by an Accountholder, such Accountholder shall, as soon as practicable, give notice of such exercise to the Offshore Preference Shareholders in the manner provided for in the Conditions or the Global Certificate for notices to be given by the Company to the Offshore Preference Shareholders.

In addition, the Global Certificate will contain provisions that modify the Terms and Conditions of the Offshore Preference Shares as they apply to such Offshore Preference Shares evidenced by such Global Certificate. The following is a summary of certain of those provisions:

PAYMENTS

Payments of amounts in respect of the Offshore Preference Shares represented by a Global Certificate will be made without presentation, or in the case of payment upon redemption of such Offshore Preference Shares, against presentation and surrender of, the Global Certificate to or to the order of the Fiscal Agent.

Each payment made in respect of the Global Certificate will be made to, or to the order of, to the person shown as the Offshore Preference Shareholder in the Register at the close of business (in the relevant clearing system) on the Clearing System Business Day immediately prior to the due date for such payment where "Clearing System Business Day" means a day on which each clearing system for which the Global Certificate is being held is open for business.

NOTICE

In respect of the Offshore Preference Shares, so long as such Offshore Preference Shares are represented by a Global Certificate and the Global Certificate is held on behalf of Euroclear or Clearstream, Luxembourg or any Alternative Clearing System, notice shall be sent Accountholders by delivery of relevant notices through the facilities of Euroclear or Clearstream, Luxembourg or any Alternative Clearing System, instead of delivery of the notices in accordance with the Terms and Conditions of the Offshore Preference Shares.

So long as the Offshore Preference Shares are represented by a Global Certificate and such Global Certificate is held on behalf of Euroclear or Clearstream, Luxembourg or any Alternative Clearing System, each holder of such Offshore Preference Shares shall be deemed to have acknowledged and agreed that the Company is permitted to send or otherwise make available any Corporate Communication to Accountholders using electronic means (which term includes sending or otherwise making available the Corporate Communication in electronic format) in the manner described in the paragraph below in satisfaction for notification as required by the Articles and the Hong Kong Listing Rules. A "Corporate Communication" as defined under the Hong Kong Listing Rules includes any document to be issued by the Company for the information or action of the Offshore Preference Shareholders, including but not limited to (a) annual reports and, if available, its summary financial reports; (b) interim reports and, if available, its summary financial reports; (c) notices of meetings; (d) listing documents; (e) circulars; and (f) proxy forms.

Until further notice, the Company shall make all Corporate Communications available via the Company's own website (www.cinda.com.cn) and the HKExnews' website (www.hkexnews.hk). All such Corporate Communications may be assessed under the "Investor Relations" section of the Company's website or browsing through the HKExnews' website. In addition, in relation to (a) Corporate Communications which involve the Company's annual reports or interim reports and (b) Corporate Communications which relate to matters which the Offshore Preference Shareholders may attend shareholders' meetings of the Company and vote on matters before such shareholders' meetings, the Company shall also send such Corporate Communications to Accountholders by delivery of the relevant Corporate Communication in electronic format through the facilities of Euroclear or Clearstream, Luxembourg or such Alternative Clearing System.

MEETING

In respect of the Offshore Preference Shares, for the purposes of any meeting of the Offshore Preference Shareholders, the holder of such Offshore Preference Shares represented by the Global Certificate shall (unless the Global Certificate represents only one Offshore Preference Share) be treated as two persons for the purposes of any quorum requirements of a meeting of holders of such Offshore Preference Shares and as being entitled to one vote in respect of each Offshore Preference Share.

COMPULSORY CONVERSION

So long as the Offshore Preference Shares are represented by a Global Certificate and held through Euroclear or Clearstream, Luxembourg or any Alternative Clearing System and following the delivery of a Conversion Notice by the Company in accordance with the Terms and Conditions of the Offshore Preference Shares, the holders of the Offshore Preference Shares shall give such confirmation as is required to complete the issuance and delivery of H Shares to the Fiscal Agent in accordance with the standard procedures of Euroclear and Clearstream, Luxembourg or such Alternative Clearing System (as the case may be) prior to the relevant prescribed time under the Terms and Conditions of the Offshore Preference Shares in a manner acceptable to Euroclear and Clearstream, Luxembourg or such Alternative Clearing System (as the case may be) from time to time. Deposit of the Global Certificate with the Fiscal Agent shall not be required.

The Company may, without the consent of the holders of the Offshore Preference Shares, prescribe such further regulations regarding the delivery of the H Shares upon a conversion which in its sole discretion deems reasonably necessary to reflect the prevailing rules, procedures and practices of the clearing systems for the relevant Offshore Preference Shares and the H Shares.

PARTIAL REDEMPTION

So long as the Offshore Preference Shares are represented by the Global Certificate and the Global Certificate is held on behalf of Euroclear, Clearstream or any Alternative Clearing System, any such partial redemption by the Company shall be effected in accordance with the rules and procedures of Euroclear, Clearstream or any Alternative Clearing System, as the case may be.

TRANSFERS

Transfers of interests in the Offshore Preference Shares represented by a Global Certificate will be effected through the records of Euroclear and Clearstream, Luxembourg (or any Alternative Clearing System) and their respective participants in accordance with the rules and operating procedures of Euroclear and Clearstream, Luxembourg (or any Alternative Clearing System) and their respective participants.

CANCELLATION

Cancellation of any Offshore Preference Share represented by a Global Certificate which is required by the Terms and Conditions of the Offshore Preference Shares to be cancelled will be effected by a reduction in the Liquidation Preference of such Offshore Preference Shares in the register of such Offshore Preference Shares and on its presentation to or to the order of the Fiscal Agent for annotation (for information only) in the schedule to the Global Certificate.

USE OF PROCEEDS

Subject to the approvals by the relevant regulatory authorities, the net proceeds raised from the Offshore Preference Shares issuance, after deduction of the commissions and expenses relating to the issuance, being approximately U.S.$1,694.6 million, will be used to replenish the Company's Additional Tier 1 Capital.

The Company undertakes that it will not use the proceeds raised from the Offshore Preference Shares issuance for real estate development and related businesses in any way.

EXCHANGE RATE INFORMATION

PRC

The PBOC sets and publishes Renminbi base exchange rates on a daily basis with reference primarily to the market supply and demand of foreign currencies. The PBOC also takes into account other factors, such as the general conditions existing in the international foreign exchange markets. Since 1994, the conversion of Renminbi into foreign currencies, including U.S. dollars, has been based on rates set by the PBOC, which are decided daily taking into account of the previous day's exchange rates in the domestic interbank market and major currencies' exchange rates in the world financial markets. From 1994 to July 2005, the official exchange rate for the conversion of Renminbi to U.S. dollars was generally stable. Although PRC governmental policies were introduced in 1996 to reduce restrictions on the convertibility of Renminbi into foreign currency for current account items, conversion of Renminbi into foreign exchange for capital account items, such as foreign direct investment, loans or securities, requires the approval of the State Administration of Foreign Exchange ("**SAFE**") and other relevant authorities.

On 21 July 2005, the PRC government introduced a managed floating exchange rate system to allow the value of the Renminbi to fluctuate within a regulated band based on market supply and demand and by reference to a basket of currencies. The PRC government has since made and in the future may make further adjustments to the exchange rate system. The PBOC authorised the China Foreign Exchange Trading Centre, effective since 4 January 2006, to announce the central parity exchange rate of certain foreign currencies against the Renminbi at 9.15 a.m. each business day. This rate is set as the central parity for the trading against the Renminbi in the inter-bank foreign exchange spot market and the over the counter exchange rate for that business day. On 18 May 2007, the PBOC enlarged, effective on 21 May 2007, the floating band for the trading prices in the inter-bank foreign exchange spot market of Renminbi against the US dollar from 0.3 per cent. to 0.5 per cent. around the central parity rate. This allows the Renminbi to fluctuate against the US dollar by up to 0.5 per cent. above or below the central parity rate published by the PBOC. On 19 June 2010, the PBOC announced that it intended to further reform the Renminbi exchange rate regime by allowing greater flexibility in the Renminbi exchange rate and the band was expanded to 1.0 per cent on 16 April 2012 and it was further expanded to 2.0 per cent. on 17 March 2014. More adjustments may be made to the exchange rates that we used in this Offering Circular or will use in the preparation of our periodic reports or any other information to be provided to you. Exchange rates of Renminbi into U.S. dollars are based on rate system by the PRC government in the future. Currently, the PBOC announces the closing price of a foreign currency traded against Renminbi in the inter-bank foreign exchange spot market after the closing of the market on each business day, and makes it the central parity for the following business day.

On 11 August 2015, the PBOC announced that the exchange rates between the Renminbi and foreign currencies would become more market driven, taking into account of the closing exchange rates on the previous trading day, supply and demand of foreign currencies and the fluctuations of exchanges rates between major international currencies. From 11 August to 13 August 2015, the value of the Renminbi depreciated by approximately 4.4 per cent. against the US dollar and has stabilised since then. The PRC governments may make further adjustments to the exchange rate system in the future.

The following table sets forth information concerning exchange rates between the Renminbi and U.S. dollar for the periods indicated. These rates are provided solely for your convenience and are not necessarily the exchange rates that we used in this Offering Circular or will use in the preparation of our periodic reports or any other information to be provided to you. Exchange rates of Renminbi into U.S. dollars are based on the noon buying rate in The City of New York for cable transfers of Renminbi as certified for customs purposes by the Federal Reserve Bank of New York.

	Noon Buying Rate			
	Period end	Average(1)	High	Low
	(RMB per U.S.$1.00)			
2009	6.8259	6.8295	6.8470	6.8176
2010	6.6000	6.7603	6.8330	6.6000
2011	6.2939	6.4475	6.6364	6.2939
2012	6.2301	6.2990	6.3879	6.2221
2013	6.0537	6.1412	6.2438	6.0537
2014	6.2046	6.1704	6.2591	6.0402
2015	6.4778	6.2869	6.4896	6.1870
2016	6.9430	6.6549	6.9580	6.4480
2017	6.5063	6.7350	6.9575	6.4773
2018	6.8755	6.6292	6.9737	6.2649
2019	6.9618	6.9014	7.1786	6.6822
2020	6.5250	6.8878	7.1681	6.5208
2021				
January	6.4282	6.4672	6.4822	6.4282
February	6.4730	6.4601	6.4869	6.4344
March	6.5518	6.5109	6.5716	6.4648
April	6.4749	6.5186	6.5649	6.4710
May	6.3674	6.4321	6.4749	6.3674
June	6.4566	6.4250	6.4811	6.3796
July	6.4609	6.4763	6.5104	6.4562
August	6.4604	6.4768	6.5012	6.4604
September	6.4434	6.4563	6.4702	6.4320
October (through 15 October)	6.4340	6.4407	6.4485	6.4262

Note:

(1) Annual averages are calculated by using the average of the exchange rates on the last business day of each month during the relevant year. Monthly averages or the average for a period are calculated by using the average of the daily rates during the relevant month or period.

HONG KONG

Under existing Hong Kong law, there are no foreign exchange controls or other laws, decrees or regulations that affect the remittance of dividend payments to U.S. residents, and there are no limitations on the rights of non-residents or foreign owners to hold the Offshore Preference Shares offered in the offering. The Basic Law of the Hong Kong Special Administrative Region of the People's Republic of China (the "**Basic Law**"), which came into effect on 1 July 1997, provides that no foreign exchange control policies shall be applied in Hong Kong.

The Hong Kong dollar is freely convertible into other currencies, including the U.S. dollar. Since 17 October 1983, the Hong Kong dollar has been pegged to the U.S. dollar at the rate of HK$7.80 to U.S. 1.00. The central element in the arrangements that gave effect to the peg is that by agreement between the Hong Kong government and the three Hong Kong banknote issuing banks (i.e. The Hongkong and Shanghai Banking Corporation Limited, Standard Chartered Bank and the Bank of China), certificates of indebtedness, which are issued by the Hong Kong Government Exchange Fund to the banknote issuing banks to be held as cover for their banknote issues, are issued and redeemed only against payment in U.S. dollars, at the fixed exchange rate of HK$7.80 to U.S.$1.00. When the banknotes are withdrawn from circulation, the banknote issuing banks surrender the certificates of indebtedness to the Hong Kong Government Exchange Fund and are paid the equivalent U.S. dollars at the fixed rate.

The market exchange rate of the Hong Kong dollar against the U.S. dollar continues to be determined by the forces of supply and demand in the foreign exchange market. However, against the background of the fixed rate that applies to the issue of the Hong Kong currency in the form of banknotes, as described above, the market exchange rate has not deviated materially from the level of HK$7.80 to US$1.00 since the peg was first established. In May 2005, the HKMA broadened the 22-year old trading band from the original rate of HK$7.80 to U.S.$1.00 to a rate range of HK$7.75 to HK$7.85 to U.S.$1.00. The Hong Kong government has stated its intention to maintain the link at that rate, and it, acting through the HKMA, has a number of means by which it may act to maintain exchange rate stability. Under the Basic Law, the Hong Kong dollar will continue to circulate and remain freely convertible. The Hong Kong government has also stated that it has no intention of imposing exchange controls in Hong Kong and that the Hong Kong dollar will remain freely convertible into other currencies, including the U.S. dollar. However, no assurance can be given that the Hong Kong government will maintain the link within the range of HK$7.75 to HK$7.85 per U.S.$1.00, or at all, or will not in the future impose exchange controls.

The following table sets forth the Noon Buying Rates as set forth in the H.10 statistical release of the Federal Reserve Board for and as of the period ends indicated from and after 1 January 2009.

	Noon Buying Rate			
	Period end	**Average(1)**	**High**	**Low**
	(HK$ per U.S.$1.00)			
2009	7.7536	7.7513	7.7618	7.7495
2010	7.7810	7.7692	7.8040	7.7501
2011	7.7663	7.7793	7.8087	7.7634
2012	7.7507	7.7569	7.7699	7.7493
2013	7.7539	7.7565	7.7654	7.7503
2014	7.7531	7.7554	7.7669	7.7495
2015	7.7507	7.7524	7.7686	7.7495
2016	7.7534	7.7618	7.8270	7.7505
2017	7.8128	7.7950	7.8267	7.7540
2018	7.8305	7.8376	7.8499	7.8043
2019	7.7894	7.8335	7.8499	7.7850
2020	7.7534	7.7562	7.7951	7.7498
2021				
January	7.7531	7.7533	7.7555	7.7517
February	7.7567	7.7529	7.7567	7.7515
March	7.7746	7.7651	7.7746	7.7562
April	7.7664	7.7691	7.7849	7.7596
May	7.7610	7.7654	7.7697	7.7608
June	7.7658	7.7617	7.7666	7.7566
July	7.7723	7.7705	7.7837	7.7651
August	7.7779	7.7834	7.7925	7.7735
September	7.7850	7.7807	7.7877	7.7708
October (through 15 October)	7.7785	7.7827	7.7871	7.7780

Note:

(1) Annual averages are calculated by using the average of the exchange rates on the last business day of each month during the relevant year. Monthly averages or the average for a period are calculated by using the average of the daily rates during the relevant month or period.

OUR HISTORY AND CORPORATE STRUCTURE

OUR HISTORY

With the approval of the State Council, Cinda Corporation, the predecessor of our Company, was established in Beijing in April 1999 with a registered capital of RMB10 billion contributed solely by the MOF. Cinda Corporation was established as a wholly state-owned non-bank financial institution with the aim of effectively mitigating financial risk, maintaining stability of the financial system and accelerating the reform and development of state-owned banks and enterprises.

In June 2010, with the approval of the State Council, Cinda Corporation changed its corporate structure to a joint stock company and was renamed "China Cinda Asset Management Co., Ltd.". Cinda was established with the MOF as its sole promoter, and assumed all of the assets, subsidiaries, branches, businesses, personnel and relevant policies of Cinda Corporation. The MOF subscribed for 25,155,096,932 shares at par value of RMB1.00 per share. The registered capital of the Company was RMB25,155,096,932.

After the completion of our joint-stock reform, we became the first AMC permitted to acquire distressed assets from non-financial enterprises.

In April 2012, we completed the introduction of strategic investment by NCSSF, UBS, CITIC Capital (through its wholly-owned subsidiary CITIC Capital Financial Holding Limited) and Standard Chartered (through its wholly-owned subsidiary Standard Chartered Financial Holdings). After the completion of the transactions, our registered capital increased to RMB30,140,024,035.

In December 2013, we were listed on the main board of Hong Kong Stock Exchange, becoming the first Chinese AMC to onboard the international capital market, with the registered capital increased to RMB35,458,864,035. As of the date of this Offering Circular, the registered capital of the Company is RMB38,164,535,147.

As of 30 June 2021, the MOF held 58.00 per cent. of our issued share capital and was our controlling shareholder. The MOF is a department under the State Council and is the macro-control department in charge of China's fiscal revenue and expenditures, taxation policies and other issues. For details on the supervisory function of the MOF, see "*Regulation and Supervision in the PRC and Hong Kong – The PRC Regulatory Environment – Major Regulators – MOF*." The MOF is therefore not involved in the daily management of the Company. The Company is not aware of any policy or action of the MOF that will specifically prejudice or favour a particular AMC.

KEY MILESTONES

Important milestone events in our history are set out below:

Year	Milestone Events
Policy Phase	
1999	Cinda Corporation was incorporated in Beijing as the first AMC established by the PRC government
	Acquired NPLs of RMB250.0 billion from CCB and commenced the specialised disposal of distressed assets of state-owned banks
	Entered into DES agreement with Beijing Cement Plant and completed the first DES transaction of SOE in the PRC
	Acquired NPLs of RMB100.0 billion from CDB
2000	Acquired three batches of doubtful debts with a total amount of RMB23.0 billion from CCB
	Became the first AMC to engage in securities underwriting business by participating in the IPO of Gansu Jiu Steel Group Hongxing Iron & Steel Co., Ltd. on Shanghai Stock Exchange
	Restructured one of our debtors Bengbu Heat & Power by introducing foreign strategic investors, and became the first AMC to adopt such method
2001	Acquired NPLs of RMB14.0 billion from CDB
2002	Started selling distressed assets to overseas investors through structured transactions with a total amount of RMB12.3 billion in three batches as of 2003
	Entrusted by the MOF to liquidate China Trust and Investment Corporation for Economic Development
2003	Entrusted to dispose of distressed assets of 12 subsidiaries of one of the largest telecom operators in China, becoming what we believe as the first AMC engaging in entrusted disposal of distressed assets of non-financial enterprises
	Completed restructuring and relisting of Zhengzhou Baiwen Co., Ltd as the principal creditor, marking the first restructuring of listed company led by a creditor
Transition Phase	
2004	Acquired NPLs of RMB64.0 billion divested from BoCOM before its listing through structured transaction
	Acquired NPLs of RMB278.7 billion of CCB and BOC through competitive bidding process, and became the largest primary wholesaler of distressed assets in the PRC at that time

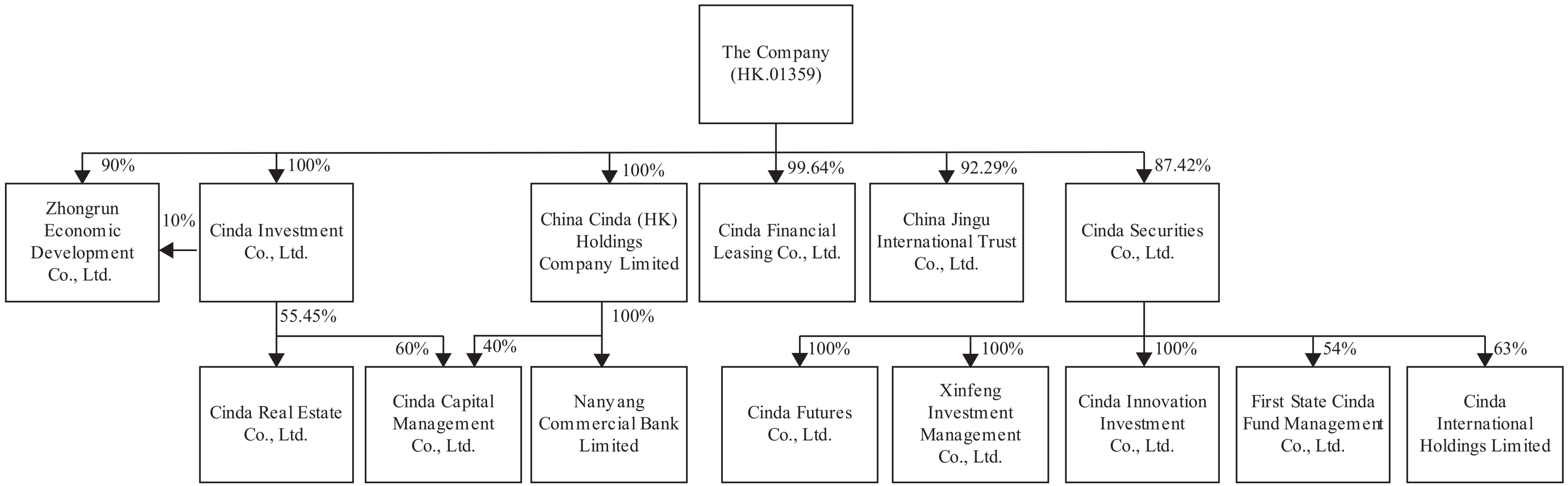
Year	Milestone Events
	Commenced the development of new businesses including commercial acquisition of distressed assets, entrusted disposal of distressed assets and additional investment in assets for debt repayment, as approved by the CBRC
	Entrusted by the CSRC to take over the management of Hantang Securities and Liaoning Securities
	Entrusted by the MOF to dispose of NPLs amounting to RMB56.9 billion written-off during the joint-stock reform of CCB
2005	Acquired distressed assets of RMB3 billion from the Bank of Shanghai on commercial basis
	Became the first of the Four AMCs to meet the MOF's performance evaluation benchmarks on the disposal of Policy Distressed Assets, finishing ahead of schedule and surpassing the MOF's performance benchmarks and achieving the highest Cash Recovery Ratio and lowest Expense Ratio amongst the Five AMCs
	Acquired five NPL packages of ICBC in Beijing and Guangdong with a total amount of RMB58.1 billion through competitive bidding
2006	Expanded into fund management business by establishing First State Cinda Fund, a joint venture with Colonial First State Group Ltd., an affiliate of Commonwealth Bank of Australia
	Issued "Xinyuan 2006-1 Restructuring ABS," a listed senior asset-backed security, of RMB3 billion with the approval of PBOC and CBRC, the first batch of distressed assets securitisation product in the PRC
2007	Expanded into securities business by establishing Cinda Securities
	Expanded into life insurance business by establishing Happy Life
	Acquired distressed assets package of Shenzhen City Commercial Bank on commercial basis
2008	Expanded into futures business by acquiring Zhejiang Jindi Futures Brokerage Co., Ltd., (浙江金迪期貨經紀有限公司) and renamed it as Cinda Futures Co., Ltd.
	Led the liquidation team which acted as the bankruptcy manager of Huaxia Securities
	Expanded into offshore securities businesses by acquiring Hantec Investment Holdings Limited which was renamed as Cinda International
	Cinda Capital Management Co., Ltd. was incorporated to carry out private equity business

Year	Milestone Events
	Re-issued asset pool securitisation product "Xinyuan 2008-1" with distressed assets as underlying securities, the offer size of listed senior asset-backed security is RMB2 billion
	Cinda acted as the advisor on assets for the credit asset securitisation transactions of CCB and held subordinated asset-backed securities, being the first AMC to participate in the disposal of distressed assets of banks through asset securitisation
	Completed the reverse takeover of Beijing Tianqiao Beida Jade Bird Sci-Tech Co., Ltd., a company listed on the SSE, and renamed it in 2009 as Cinda Real Estate, hence achieving the listing of our real estate business
	Acquired distressed assets package of China Everbright Bank on commercial basis
2009	Expanded into P&C insurance business by establishing Cinda P&C
	Expanded into the trust business through restructuring and re-registration of Jingu Trust
Commercial Phase	
2010	Cinda Corporation was converted into Cinda with the approval of the State Council, and became the first AMC to complete joint-stock reform
	Expanded into financial leasing business by establishing Cinda Leasing upon the restructuring of West Financial Leasing Co., Ltd. ("**West Financial Leasing**")
	Started acquisition of distressed assets from non-financial enterprises with the approval of the former CBRC
2011	Participated in the nationwide interbank borrowing market with the approval of PBOC
	Acquired distressed assets of Beijing Rural Commercial Bank on commercial basis, marking a breakthrough in acquisition method of distressed assets from banks
2012	Completed the introduction of strategic investments by NCSSF, UBS, CITIC Capital and Standard Chartered with the approval of the State Council and CBRC, and became the first AMC to introduce strategic investors
	Issued financial bonds of RMB10 billion in the interbank bond market, and became the first AMC to issue domestic financial bonds
	Entered into a new stage of third party asset management business by jointly promoting and establishing Ningbo Qiushi Investment Management Partnership (Limited Partnership)

Year	Milestone Events
	Issued offshore Renminbi denominated bonds of RMB2 billion in Hong Kong through Cinda HK, and became the first AMC to issue offshore Renminbi bonds
	Participated in the establishment of China Agriculture Industry Development Fund by way of promotion, and our subsidiary Cinda Capital obtained the qualification of fund manager through competitive bidding process
2013	Completed the initial public offering of our shares and have since become the first AMC successfully listed on the Hong Kong Stock Exchange
2014	First AMC that successfully completed US$ notes offering under Rule 144A and Regulation S
2016	Acquisition of NCB has been completed in May 2016
	First AMC that successfully completed private placement of H Shares
	Successfully issued RMB10 billion tier 2 capital bonds in the interbank bond market in China, being the first AMC that successfully completed the offering of tier 2 capital bonds in the interbank bond market in China
	First AMC that successfully completed the offering of perpetual U.S. dollar offshore preference shares
2017	Transferred 1.23 billion shares held in Cinda P&C to Shenzhen Investment Holding Co., Ltd. Upon completion, Cinda P&C ceased to be included in consolidated financial statements as a subsidiary of the Company
2019	In December 2019, we entered into legally binding transfer agreement with the transferees and classified our equity interests in Happy Life as assets held for sale. Insurance was no longer a business segment of the Group and we ceased to operate such business. In July 2020, the CBIRC has approved the transfer of the equity interests, and the Company ceased to have any interest in Happy Life
2020	Issued RMB8 billion tier-2 capital bonds in China interbank bond market
	Proposed to spin-off and list the shares of Cinda Securities and its subsidiaries on Shanghai Stock Exchange. On 27 November 2020, the Hong Kong Stock Exchange confirmed that the Company may proceed with the proposed spin-off and listing. Cinda Securities submitted a formal application to the CSRC in respect of the listing of its shares on the Shanghai Stock Exchange and received a notice of acceptance from the CSRC on 28 December 2020

OUR CORPORATE STRUCTURE

The following chart sets forth our corporate structure showing our key subsidiaries as of 30 June 2021.



DESCRIPTION OF THE GROUP

Unless indicated otherwise, all data and information with respect to China's distressed asset management industry in this section, including those on business performance comparison of the Five AMCs, come from the CBIRC. Such data and information may be compiled according to standards different from the requirements of IFRS and therefore may not be comparable to numbers in our consolidated financial information included elsewhere in this Offering Circular.

OVERVIEW

We are a leading AMC in China. We focus on distressed asset management and provide customised financial solutions to our clients through the synergistic operation of our diversified business platforms. As of 31 December 2018, 2019 and 2020 and 30 June 2021, our total assets were RMB1,495,759.2 million, RMB1,513,230.0 million, RMB1,518,083.6 million and RMB1,604,243.4 million, respectively; and our total equity were RMB178,568.5 million, RMB188,410.5 million, RMB195,042.4 million and RMB195,834.7 million, respectively.

We were the first AMC approved for establishment by the State Council. As a result of our distressed asset management capabilities, business performance, innovation and brand, we have achieved many industry milestones. Among the Five AMCs:

- We were the first AMC to convert into a joint stock company as approved by the State Council, which effectively drove the market-oriented transformation of the entire industry.

- We are the first AMC to introduce strategic investors and complete its initial public offering, which has diversified our equity capital sources and enhanced our corporate governance.

- We were the first AMC to obtain distressed assets of large state-owned commercial banks and joint-stock commercial banks by way of competitive bidding and structured transactions, thereby making us a pioneer amongst financial assets management companies in creating a market-oriented approach to acquire distressed assets of banks.

- We were the first AMC approved by the former CBRC to acquire NFE Distressed Assets on a pilot scheme, which has further expanded the scope of our distressed asset management business and enhanced our sustainable business growth model.

- We were the first AMC to obtain domestic and overseas banking licences and achieve the business layout as a diversified financial group covering both domestic and overseas markets.

We have leading capabilities in acquiring, managing and disposing distressed assets and we are the leader of China's distressed asset management industry in terms of business performance, business scale and capability in cash recovery.

Our principal business segments include distressed asset management and financial services. Distressed asset management is our core business. We have leading capabilities in acquiring, managing and disposing distressed assets. On the basis that we are performing well on the disposal and recovery of distressed assets, following the principals of "relative concentration, focusing on core business", we actively exploring diversified financial service businesses that have market needs and gradually formed a diverse business pattern with disposal of distressed assets as our main business which are operating synergically with other business platforms such as banking, securities, funds, trusts and financial leasing.

For the years ended 31 December 2018, 2019 and 2020 and for the six months ended 30 June 2020 and 2021, our total income amounted to RMB98,103.4 million, RMB96,146.9 million, RMB100,134.0 million, RMB45,819.9 million and RMB41,401.6 million, respectively; and the profit attributable to equity holders of the Company amounted to RMB12,036.1 million, RMB13,052.9 million, RMB13,247.9 million, RMB6,340.7 million and RMB6,687.4 million, respectively.

We have 33 Company Branches (including Hefei Operation Support Centre) in 30 provinces, autonomous regions and municipalities in mainland China and 7 subsidiaries as platforms for providing distressed asset management and financial services in mainland China and Hong Kong. We formed a nationwide business network and have also entered into strategic cooperation agreements with numerous local governments, financial institutions, enterprises and other entities. Under the unified management of the Group, our diversified business platforms share the business network and these strategic clients, providing a solid base for both the independent business development of each subsidiary and synergic business development across subsidiaries. We leverage our diversified business platforms to provide customised financial solutions to meet the demand for diversified services from clients of our distressed asset management business. At the same time, our subsidiaries compete with other market participants in their respective industries on a differentiated basis by leveraging the Group's strengths in the distressed asset management business to develop their business. In 2016, the Group acquired NCB to further enrich and enhance its business model and improve the comprehensive and personalised services of the Group, generate greater synergies for the Group and push forward the future development of the Group to the next level by developing NCB into an important platform for the Group's integrated financial services, account management, and cross-selling, with an aim to further boost the development of the Group.

RECENT DEVELOPMENTS

COVID-19 Impact and Response

Since the outbreak of COVID-19 from the end of 2019, many countries, regions in the world and the global economy have been impacted and uncertainties in the macroeconomic conditions increased. In 2020, faced with the complex external situation and the impact of the COVID-19, we fully implemented the high-quality development concept of "professional operation, efficiency first, value creation". We focused on our main responsibilities and principal businesses. To defuse financial risks and serve the real economy, we consolidated our existing business advantages, strengthened customer and market development, vigorously promoted business innovation and transformation, strictly guarded the bottom line of risks, speeded up asset turnover and calmly coped with internal and external challenges to ensure the stable and long-term operation of the Company. We also actively explored businesses opportunities in corporate structural adjustment, liquidity assistance, risk alleviation, anti-pandemic relief and other fields.

Since 2021, the world economy has experienced sound recovery generally, but with significant differences. The control and vaccination against COVID-19 remain the major factors affecting economic recovery. The economic activities in China have resumed to normal due to effective pandemic control and the speeded vaccination. In the first half of 2021, China's economy showed strong resilience, with its GDP growing by 12.7% year on year and 5.3% on a two-year average basis.

In 2021, we will continue to give top priority to the safety and health of our employees and strictly implement the requirements of central and local governments for pandemic prevention and control. We will continue to proactively take social responsibilities in defusing risks, serving the real economy, fighting against the COVID-19 pandemic and promoting poverty alleviation and to overcome the difficult times with our employees, our clients and the whole society together. For further information, please refer to the following risk factors in the section "*Risk Factors – Risks relating to the Financial Industry in China*

– Fluctuations in the macroeconomic and market conditions could materially and adversely affect our business." and "*Risk Factors – Risks relating to the PRC – Natural disasters, epidemics, acts of war or terrorism or other factors beyond our control may have a material adverse effect on our business operations, financial condition and results of operations*."

Issuance of Undated Additional Tier 1 Capital Bonds in the Onshore Market

The Company considered and approved the proposal on the issuance of onshore undated capital bonds in an amount not exceeding RMB22 billion on the 2020 second extraordinary general meeting held on 22 December 2020 and received relevant approvals from the CBIRC and the PBOC on such issuance. On 16 August 2021, the Company completed the issuance of RMB10 billion undated additional tier 1 capital bonds in China's national inter-bank bond market.

Potential Investment in Huarong

The Company announced on 18 August 2021 that it entered into a non-legally binding framework agreement with Huarong on 18 August 2021, pursuant to which, the Company would subscribe for the new shares of Huarong as one of the investors. This investment is a financial investment.

Through this investment, the Company will strengthen its co-operation with the restructured Huarong to further optimise the eco-system of the distressed asset management industry and consolidate and strengthen the core competitive advantages of the Company's principal businesses. If the investment is implemented, it may constitute a disclosable transaction of the Company under the Hong Kong Listing Rules. As at the date of this Offering Circular, the Company has not entered into any legally binding agreement in relation to the investment, nor will it guarantee that the transaction will be finally implemented. When the key terms for the investment are determined, the Company will make a separate announcement in due course or as required in accordance with the Hong Kong Listing Rules and Part XIVA of the SFO and comply with the applicable regulatory requirements. As at the date of this Offering Circular, Huarong is a third party independent from the Company and its connected persons.

In addition, the investment may have to be tabled at the shareholders' general meeting of the Company for approval according to the Articles of the Company. The investment is also subject to the approval and consent of the relevant government authorities in accordance with applicable laws. *As the Company may or may not proceed with the investment and the investment may or may not be proceeded for various reasons, potential investors are advised to exercise caution when dealing in the securities of the Company*.

OUR STRENGTHS

As the pioneer and the leader of China's distressed asset management industry, we play a unique role in China's economy and are well positioned to continue to capture the significant opportunities arising from China's economic transformation and development

As the pioneer and the leader of China's distressed asset management industry, we play an important role in risk mitigation, value creation and industry consolidation in China's economy:

- We have reduced systemic risk in the financial system and identified and significantly enhanced the value of distressed assets through our acquisition and market-oriented disposal of distressed assets and through our role as a professional service provider engaging in the custody, liquidation and restructuring of entities with financial or operational issues. As a result, we have (i) developed vast experience in managing distressed assets and strong capabilities in the custody, liquidation and restructuring of Distressed Entities, and (ii) developed and solidified our unique position in China's financial services sector and our differentiated business model.

- Our client base covers enterprises at all stages of their development. We focus on clients facing financial or operational issues and lacking ready access to conventional financing channels. By providing these clients with customised financial solutions and appropriate financial resources, we help them improve their financial condition as well as share in their future value appreciation.

- Our investment and finance product offerings cover the full spectrum of the capital structure from debt through equity and are tailored to the individual business needs of our clients through the synergistic operation of our diversified business platforms.

The development and structural transformation of China's economy provides significant opportunities for our distressed asset management business, including a steadily increasing supply of distressed assets, more active corporate and industry-related restructuring and industry consolidation, as well as more segmented financial markets and services:

- *An increasing supply of distressed assets from financial institutions*. According to the CBIRC, the amount of NPLs held by China's commercial banks increased for consecutive years which increased from RMB2.03 trillion as at the end of 2018 to RMB2.70 trillion as at the end of 2020. We believe the total amount of NPLs in China's banking sector will continue to rise due to increases in total loans. The supply of distressed assets from financial institutions will further increase due to (i) the continuous need of commercial banks to remove NPLs from their balance sheets and to deleverage, (ii) the financial restructuring of city commercial banks, rural commercial banks and credit cooperatives and (iii) the structural adjustments of non-bank financial enterprises such as trust companies.

- *An increasing supply of distressed assets from non-financial enterprises*. According to the NBSC, the accounts receivable of domestic sized enterprises increased from RMB14.3 trillion as at the end of 2018 to RMB16.41 trillion as at the end of 2020. We believe that the distressed assets contained in these accounts receivable will provide a promising prospect for our NFE Distressed Assets business.

- *More active corporate and industry-related M&A and restructuring opportunities*. We believe the structural adjustments to the economy and industry consolidation will become more common and will generate significant business opportunities such as M&A, restructuring, custody and liquidation.

- *More segmented financial markets and services*. Compared with more developed economies, China's financial market is still developing and there exists significant potential to develop more diversified market segments and a broader client base. Our unique business model meets market needs that cannot be effectively addressed by conventional financial institutions such as banks and is driving the development of a more segmented financial service market in China by expanding the depth and breadth of financial products in the market. This enables us to capture significant business opportunities through differentiated competition with conventional financial institutions.

We have achieved sustainable business growth based on our leading distressed asset management capabilities and through continued business innovation

We possess leading capabilities in sourcing, managing and disposing of distressed assets.

- *Leading capabilities in sourcing distressed assets.*

  - *Capabilities in due diligence, evaluation and pricing*. With over 21 years' of managing distressed assets, we have compiled extensive case studies on the disposal of distressed assets and also developed asset evaluation system, distressed asset management system and systems that can help us to effectively utilise information during the process of acquisition, management and disposal. We have also established long-term cooperative relationships with many professional asset appraisal firms, fully leveraged on internal and external experts and market-based trading systems.

  - *Capabilities in devising and innovating deal structures*. We are capable of utilising varied and flexible deal structures such as structured transactions involving both equity and debt, securitisation, public sales on exchanges and acquisition of subordinated interests to meet the individual needs of clients and aim to improve our distressed asset acquisition capabilities through precise design and continuous innovation of deal structures.

  - In addition, our brand, historical achievements in distressed asset disposal, extensive business and client service networks and our established cooperative relationships with local governments, many large financial institutions and other strategic clients all constitute an important basis for developing our leading capabilities in sourcing distressed assets and have enabled us to maintain and further develop extensive deal sourcing channels for distressed assets.

- *Leading capabilities in managing distressed assets.*

  - *Differentiated capabilities in managing distressed assets*. We provide our clients with diversified yet customised services such as debt restructuring, liquidity support and industry consolidation on the basis of analysing features of different obligors and by collaborating across our diversified business platforms. These services help improve the value of the debt assets we manage. In addition, we also swapped distressed assets to equity in enterprises that we believe have significant value appreciation potential so as to benefit from such appreciation.

  - *Capabilities in assessing macro-economic and industry trends*. We established the first financial-risk research centre among the Five AMCs and attach great importance to enhancing the value of the assets we manage through developing insights into macro-economic developments and industry trends.

- *Leading and diversified capabilities in disposing of distressed assets*. We have consistently adhered to the management principle of identifying and enhancing the value of distressed assets and specialise in utilising diversified asset disposal plans and tailoring these disposal plans according to the features of different distressed assets. In order to achieve maximum recovery value of assets, we consistently innovate distressed assets disposal plans based on our in-depth knowledge of the local judicial, social environment and capital market operations. We completed the first DES transaction involving large-scale SOEs in China, completed the first batch of distressed asset securitisation in China and the first securitisation of distressed assets from China in the overseas market and assisted one of our DES Companies with the introduction of foreign strategic investors, the first such initiative for all DES companies. In addition, we were the first in the industry to proactively restructure the obligor through the establishment of a creditors' committee as the leading creditor, which contributed to the development of relevant legal regimes.

- *In-depth understanding of Distressed Entities' industries and industry-leading capabilities in custody, liquidation and restructuring*. Based on the experience accumulated from our custody, liquidation and restructuring of non-bank financial enterprises, including securities, trust and leasing companies, we have developed industry-leading capabilities in the custody, liquidation and restructuring of distressed assets and relevant entities. Our vast experience gained in the course of liquidating numerous enterprises in the financial services and real estate sectors provides us with a strong competitive advantage in those industries. In addition, we have developed a professional team familiar with the custody, liquidation and restructuring businesses through our custody, liquidation and restructuring of numerous Distressed Entities and have accumulated vast experience in managing Distressed Entities and improving their value. This professional team and its experience provide a solid foundation for developing our debt and equity investment, M&A and restructuring businesses in relevant industries.

While we focus on traditional distressed assets management as our core business, we have also continuously innovated our business model and actively expanded our business scope, thus enabling us to achieve sustainable business growth:

- When the disposal of Policy Distressed Assets entered its later stage, we acquired distressed asset packages from BoCOM, BOC, CCB and ICBC through innovative structured transactions and competitive bidding, making us the largest primary wholesaler of distressed assets in the market at that time. We also acquired distressed asset packages from Bank of Shanghai on a commercial basis, ushering the era of commercial acquisition of distressed assets.

- Through the custody, liquidation and restructuring of distressed financial institutions, we strategically selected and restructured certain Distressed Companies in the securities, trust and financial leasing industries and integrated them into our diversified financial service platforms. Under the unified management of the Group, the value of our distressed assets was enhanced and we are able to provide customised financial solutions to our clients and contribute additional driving forces for the continuing development of our business.

- Leveraging our extensive experience in distressed asset management, strong risk management capabilities and in-depth knowledge of industries, we identified and captured significant business opportunities in the NFE Distressed Assets market and further expanded the scope of our business when we became the first company approved by the former CBRC to conduct NFE Distressed Asset management business in June 2010. We developed this business rapidly. As at 30 June 2021, the net balance of NFE Distressed Assets amounted to RMB179,235.3 million, comprising 48.8% of our total net balance of distressed debt assets. For the six months ended 30 June 2020 and 2021, our income from NFE Distressed Assets amounted to RMB9,572.6 million and RMB7,495.7 million, respectively, comprising 61.9% and 51.9% of our total income from distressed debt assets, respectively.

- Based on our vast experience in distressed asset management, in-depth knowledge of enterprises along the industry chain of distressed assets and first-mover advantage in the NFE Distressed Assets business, we have developed a differentiated third-party asset management business and established high-yield investment funds and buyout funds focusing on distressed assets. These initiatives have expanded the funding channels available to our business, increased our fee and commission income and optimised our business and profit-generating models.

- Based on our leading position in the distressed asset management sector, we have explored in great depth market opportunities and taken effective measures to vigorously develop SSI business. In light of the new changes and new characteristics of the distressed assets, we have constantly sought to innovate the transaction structure, carried out differentiated asset cultivation and disposal plan, improved our asset management and disposal capability, effectively addressed to the difficulties in asset management and disposal, and actively explored further investment opportunities when solving of various complicated financial issues for our clients. From these initiatives, we have obtained profitable investment returns.

- Based on the significant value appreciation potential and extensive equity investment management experience provided by our DES Assets portfolio, we have actively expanded our business and achieved significant economic returns. We have maintained a relatively large DES Assets portfolio. As at 30 June 2021, the book value of our DES Assets stood at RMB77,270.2 million. Based on our management of DES Assets in numerous SOE DES Companies, we have developed a professional team familiar with investee company operations, industry restructuring and capital markets. This has effectively supported the development of our equity investment and M&A businesses. We have also assisted some of the DES Companies with debt restructuring, introduction of strategic investors, IPOs and industry consolidation, which enhanced the value of our equity stakes by improving the overall enterprise value of these companies.

Our diversified business platforms operate synergistically and share our extensive business network, broad client base and strong government relationships, achieving synergy in our operations which improves our overall operating efficiency, and through such synergy constructs a full life cycle of our business platform and operation model

Based on our distressed asset management business, operating synergistically across our synergistic financial services platform covering banking, securities, futures, mutual funds, trusts and leasing business, we provide our clients with customised financial solutions through the integrated design and development of multiple products, at the same time enhancing the value of our asset portfolios. Operating synergistically across our diversified business platforms is one of our most important strategies. With our acquisition of NCB in 2016, our banking business played a key synergistic role among the basic business platforms and acted as a new link in the coordinated development of diversified business platforms of the Group. The synergies of our group operations can be primarily seen in our sharing of business and organisational networks, sharing of client resources and business development.

- *Business network synergy*. We have 33 Company Branches (including Hefei Operation Support Centre) in 30 provinces, autonomous regions and municipalities in mainland China and 7 subsidiaries as platforms for providing distressed asset management and financial services in mainland China and Hong Kong. We formed a nationwide business network. Our branches are capable of adapting our Group strategies to local market conditions and have robust project development and execution capabilities. Our Company Branches play an important role in establishing close relationships with our clients and in building and maintaining our relationships with local governments. They also provide professional assistance to our subsidiaries in project procurement, due diligence, post-investment management and disposition exit, effectively facilitating their business development. Our subsidiaries have also developed their own extensive business networks. NCB and Cinda Securities had established institutions and branches in over 30 cities such as such as Beijing, Shanghai, Shenzhen, Guangdong, Wuhan and Chengdu. These branches have covered the gap in our sales network for retail customers in addition to our Company Branches, which further improved our overall network coverage. Under the unified management of the Group, these branches and outlets provide important support for the development of our asset management business and other businesses.

- *Client synergy*. Through our long-term engagement in the distressed asset management business and custody, liquidation and restructuring of Distressed Entities, we have established long-term close relationships with local governments, major domestic financial institutions and numerous enterprises. Our diversified business platforms share these strategic clients, providing a broader client base for the respective business development of each subsidiary and joint business development across subsidiaries. Meanwhile, because of our significant DES Asset portfolio and long-term cooperation with DES Companies, many DES Companies have become our loyal clients and have established close cooperative relationships with us in many areas. They provide us with business opportunities such as cross-selling and follow-on equity investments and have provided a broader base for our business development. In addition, our subsidiaries have also cultivated important client bases in the development of their respective businesses. We have developed a large retail client base through our financial services subsidiaries that engage in the securities, trusts, financial leasing, fund management and banking businesses. With the economic development of China, these clients will have an increasing demand for diversified and comprehensive financial services and constitute a valuable source of referrals for cross-selling among our financial services subsidiaries.

- *Business development synergy*. Based on the demand for diversified services from clients of our distressed asset management business, we are able to leverage our diversified business platforms to provide our clients with customised financial solutions, including acquisition and disposal of distressed assets, restructuring (such as financial leasing, trust and debt investment fund), equity investment (such as equity investment funds), asset management (such as securities, trust and fund management), financial and financing consulting services (through our securities subsidiary), banking and overseas financial services. At the same time, our subsidiaries can compete with other market participants in their respective industries on a differentiated basis by leveraging the Group's strengths in distressed asset management business to grow their business.

- *Full life cycle of business platform and operation model*. Based on our core business of distressed asset management, we have developed diversified business platforms covering businesses such as banking, securities, funds, trusts, financial leasing, futures, fund management and real estate. Upon the acquisition of NCB, we are able to provide a more diverse range of products and services to support companies at every different stage of their corporate development and provide clients at different life cycle with a broad selection of financial products and services covering a wide spectrum of capital structure. A business model with a full life cycle will also enables us to effectively address to the volatility of economic cycle and help formulate sustainable operation foundation.

In 2020, the scale of our business synergy amounted to RMB444,200 million from 2,278 customers, which realised synergy income of RMB4,870 million. In 2020, NCB's scale of business synergy amounted to RMB74,500 million with a synergy income of RMB820 million; Cinda Securities' scale of business synergy amounted to RMB50,300 million with a synergy income of RMB550 million; Cinda Leasing's scale of business synergy amounted to RMB25,600 million with a synergy income of RMB600 million; Cinda Real Estate's scale of business synergy amounted to RMB141,400 million with a synergy income of RMB170 million; Cinda Investment's scale of business synergy amounted to RMB28,100 million with a synergy income of RMB1,480 million; Cinda Capital's scale of business synergy amounted to RMB93,400 million with a synergy income of RMB350 million; and Jingu Trust's scale of business synergy amounted to RMB29,800 million with a synergy income of RMB100 million.

In the six months ended 30 June 2021, the scale of our business synergy amounted to RMB347,210 million from 1,765 customers, which realised synergy income of RMB1,590 million. In the first half of 2021, NCB's scale of business synergy amounted to RMB49,270 million with a synergy income of RMB330 million; Cinda Securities' scale of business synergy amounted to RMB86,800 million with a synergy income of RMB180 million; Cinda Leasing's scale of business synergy amounted to RMB17,890 million with a synergy income of RMB340 million; Jingu Trust's scale of business synergy amounted to RMB32,230 million with a synergy income of RMB70 million; Cinda Capital's scale of business synergy amounted to RMB46,030 million with a synergy income of RMB90 million; Cinda Investment's scale of business synergy amounted to RMB20,050 million with a synergy income of RMB450 million; and Cinda Real Estate's scale of business synergy amounted to RMB94,720 million with a synergy income of RMB130 million.

We have industry-leading risk management capabilities and a comprehensive and prudent risk and capital management system

An integral core part of our distressed asset management business involves handling distressed assets and Distressed Entities. We have developed our unique capabilities and experience in preventing, identifying, managing and addressing to various risks through (i) our acquisition of a substantial amount of distressed assets and effective operation management and disposal of these distressed assets, (ii) our custody, liquidation, closure and restructuring of various non-bank financial institutions including securities, trusts and leasing companies and (iii) our custody, reorganisation and disposal of numerous enterprises and investment projects entrusted by local governments and large banks. We have also developed deep insights into the causes of and management approaches for various categories of risk based on our extensive analysis and research of distressed asset cases. Based on this vast experience, we have developed systematic risk management protocols and procedures and industry-leading risk management capabilities.

We have developed a comprehensive and prudent risk management system and centrally manage major risks involved in various business lines at the Group level, and focused on the establishment of safe and efficient group liquidity risk management system and capital management system:

- Our corporate governance structure is the foundation of our risk management system. The Board assumed the ultimate responsibility for comprehensive risk management and exercised functions relevant to risk management through its Risk Management Committee, Audit Committee and Connected Transaction Control Committee and we have appointed a Chief Risk Officer to lead the formulation and execution of our overall risk management strategies. We have also established departments responsible for risk management at our subsidiaries and Company Branches. Since 2019, we have set up risk (compliance) directors in certain subsidiaries which further strengthened the independence, professionalism and capability of risk management of our subsidiaries.

- Under the unified management of the Group, the departments responsible for risk management at our subsidiaries and Company Branches regularly report both to the senior management of their respective subsidiaries and Company Branches and to the risk management department of the Group, so that both the senior management of subsidiaries and Company Branches and the Group can monitor risk profiles of the subsidiaries and Company Branches on a timely basis. The Group also regularly carries out performance assessment on the responsible personnel in charge of risk management of its branches and subsidiaries and the responsible personnel in charge of the risk management department, continuously strengthening the development of risk management team.

- We place great importance on the liquidity management of the Group and have established systems and procedures on liquidity management. We have actively broadened our fund-raising channels and have gradually established market-based fund-raising channels including bank loans, inter-bank market borrowing and bond issuance. We had strategic cooperative relationships with many bank headquarters, bank branches and non-bank financial enterprises. We were the first among the Five AMCs to enter the inter-bank market, which has a relatively low cost of financing. Since 2012, we successfully issued financial bonds in China and RMB-denominated bonds in Hong Kong and we also issued US dollar-denominated guaranteed senior notes in offshore market through our subsidiaries. In addition, we have further expanded our third-party funding sources by actively developing third-party asset management businesses including private equity, trust and fund management. We established a two-way transmission mechanism for the asset-liability structure to reasonably adjust the maturity structure of assets and liabilities. In the meanwhile, we also attached great importance to the usage of capital and allocated the assets pursuant to the requirements set out in the capital regulations, strengthened the management of tenure, maturity planning and investment management of assets and maintained a sound liquidity position.

- We always stick to the prudent capital management strategy and formulated clear capital management policies and plans. As of 30 June 2021, our capital adequacy ratio was 16.01%, higher than the regulatory requirement of 12.5%. With improving the capital utilisation efficiency as our target, we have strengthened the internal capital replenishment base and continuously advanced the development of innovative capital replenishment tools and built a multi-layer capital replenishment mechanism, so as to meet the regulatory capital requirements and maintain safety margin of capital and enhance our risk resistance ability.

- We have established multi-channel capital replenishment tools and methods. In 2012, we received equity investments from four strategic investors. In 2013, we successfully completed the initial public offering and got listed on the Hong Kong Stock Exchange. In 2016, we issued new H shares and successfully issued tier 2 capital bonds and additional tier 1 offshore preference shares for the first time and we issued tier 2 capital bonds again in 2020 which all laid a solid capital foundation for the future development of the Group. The Company considered and approved the proposal on the issuance of onshore undated capital bonds in an amount not exceeding RMB22 billion on the 2020 second extraordinary general meeting held on 22 December 2020 and received relevant approvals from the CBIRC and PBOC on such issuance. On 16 August 2021, the Company issued the first tranche of the undated additional tier 1 capital bonds in China's inter-bank bond market of RMB10 billion. The Company considered and approved proposal on the non-public issuance of offshore preference shares on the 2021 first extraordinary general meeting, the 2021 first class meeting for domestic shareholders, the 2021 first class meeting for H shareholders and the 2021 first class meeting for existing preference shareholders held on 2 February 2021, pursuant to with, the Company proposed to conduct non-public issuance(s) of not more than 180 million (inclusive) preference shares, in a single or multiple series, to raise funds of not more than RMB18 billion (inclusive) or its equivalent in the offshore market.

We have formulated standardised business management guidelines and approval procedures tailored to the features of our distressed asset management business:

- We apply the principles of "Differentiated Authorisation and Professional Decision-Making" to the approval of distressed assets projects and have established an "Approval Specialist" scheme comprising experienced professionals in order to effectively manage project approval risks through professional decision-making and professional advice. We have also established a prior consultation process for significant projects to ensure sufficient discussion and review of significant projects have been made before they are approved.

- We have established an ISO-accredited IT service management, which provides IT support to risk management and enables us to standardise our risk management and internal control processes.

- We attach great importance to risk mitigation measures and particularly emphasise securing debts with collateral that can be readily evaluated and realised. Based on our business experience, we have formulated general guidelines for the ratio of the value of accounts receivable to collateral value.

- We are committed to developing innovative approaches to protect our rights as creditors and have utilised innovative means such as third-party benefits trusts, the establishment of escrow accounts and the introduction of third-party joint obligors to provide enhanced protection to the realisation of our rights.

- We have established an internal five-tier classification system for distressed debt assets based on our business characteristics and experiences. We review and adjust this classification system from time to time based on our business development and make impairment and risk provisions by referring to this system, enabling us to manage risks on a quantitative basis by classification.

We have a strong shareholder base and an entrepreneurial and visionary management team

The unique background of our shareholders provides important support for our business development. In 1999, we were incorporated with the MOF as the sole shareholder. As at 30 June 2021, MOF, the controlling shareholder of the Company, held 58.00% Domestic Shares of the total issued shares of the Company; NCSSF, the second largest shareholder of the Company, held 6.44% Domestic Shares and 7.60% H Shares of the total issued shares of the Company, respectively; and China COSCO Shipping Corporation Limited held 5.00% H Shares of the total issued shares of the Company. We believe our strong shareholder base will enhance our clients' confidence in Cinda, broaden our client base, strengthen our working relationships with the government and provide us with more business opportunities.

Under the strong leadership of our senior management team over the past 21 years, we have become the pioneer and the leader of the distressed asset management industry in China and have developed into a financial service brand focusing on distressed asset management with synergistic operations of diversified business platforms providing clients with customised financial solutions. Our senior management has, on average, over 20 years of management experience in the financial services industry and has working experience at the PBOC, the CBIRC and other regulatory authorities and ministries, and the state-owned large commercial banks. Based on their vast experience in relevant industries, close working relationships with the government and management skills, our senior management is capable of identifying the development trends of the distressed asset management industry, leading us to achieve visionary business model innovation and capturing business opportunities.

- Our chairman, Mr. Zhang Zi'ai, has 40 years of working and management experience in the financial industry. Prior to joining Cinda, Mr. Zhang had worked in BOC and China Orient Asset Management Corporation for a long time and also served as Secretary to the Party Committee and Chairman of Dongxing Securities Co., Ltd. during May 2008 to May 2010. Mr. Zhang has been the Secretary to the Party Committee of the Company since May 2018 and has been an executive Director and Chairman of the Company since August 2018.

- Our president, Mr. Zhang Weidong, has 28 years of working experience in the financial industry. Prior to joining Cinda, he had worked at China Construction Bank for a long time. Mr. Zhang joined Cinda in April 1999 and has served as the Head of the Listing Preparation Leading Panel Office, the General Manager of the Investment and Financing Management Department, the Board Secretary, Assistant to the President, Deputy Secretary of the Party Committee, Executive Director, President, Deputy Secretary of the Party Committee since October 2019 and also served as Chairman of NCB Hong Kong since November 2020. Mr. Zhang also held various positions in China Trust Protection Fund Co., Ltd., including executive director, vice president and president during November 2015 to October 2019.

OUR STRATEGIES

Our strategy is to focus on preventing and resolving financial risks and serving the real economy as our fundamental target, maintain and make use of our core advantages from distressed assets management, enhance our financial service brand, become a leading financial group featuring alternative investment banking businesses.

Accelerate the transformation and upgrade of our businesses and aim for high-quality development in all aspects

- We will develop a new business model focusing on our main responsibilities and principal businesses, maintain and improve our traditional distressed assets business, accelerate our expansion to alternative investment banking business, continue to optimise and stabilise our businesses, place great importance to connecting different businesses on the basis of improving the value and form a diversified business model that can fit in with our sustainable development.

- We will improve and increase our advantages in distressed assets business as our principal business. We will expand our channels of sourcing distressed assets, enrich our methods of disposing distressed assets, expand the space of distressed assets business, improve our capability of active investment, actively create a healthy environment of distressed assets business and continue to uphold our leading position in the distressed assets industry.

- We will accelerate our expansion to the alternative investment banking business. We will actively capture opportunities arising from the supply-side structural economic reform and the new development pattern, focus on merger and reorganisation, bankruptcy and restructuring, mezzanine financing, bridge financing, staged shareholding and other alternative investment banking businesses that relating to the structural adjustments of corporates in order to create a new business generating point.

- We will continue to promote the optimisation and upgrade of our business model. We will continue to improve our business patterns, optimise our business structure, improve our service quality, accelerate the upgrade of our business, explore and promote asset-light distressed assets businesses and strive to achieve an more efficient, more sustainable development with higher quality.

Deepen the market-oriented reform

- Facing to the market and clients, we will promote our direct sales departments to focus on key industries and key strategies, Company Branches to focus on key areas and key clients and our subsidiaries to focus on key platforms and key tools to form a development pattern with clear division of responsibilities and high synergies. On the basis of maintaining our existing advantages, we will try to form new advantages by focusing on key areas.

- We will promote the development of the sales departments in the headquarter. We will deepen the market-oriented reform in the headquarter, maintain our existing advantages in coal mining, real estate and central SOE businesses, gradually develop our non-real estate business, precisely provide services to our base clients including industry leaders and make fully use of innovation to boost our development.

- We will strengthen the integrated operation in certain regions by Company Branches. In line with the national regional development strategy, we will strengthen the allocation of resources in the four key regions i.e. the Yangtze River Delta, the Greater Bay Area, the Beijing-Tianjin-Hebei region and the upper and middle reaches of the Yangtze River. We will maintain the local characteristics and move towards a diverse development path combining industry and finance. We will improve the regional management mechanism, improve the vitality and operational efficiency of Company Branches.

- We will improve the capability of Company Branches to cater professional services. We will support our subsidiaries to specialise on its professions and operate synergically with its principal business, continue to deepen the market-oriented reform by improving governance structure, improving management foundation, optimising management of the Group and improving the capital operation ability and promote our subsidiaries to improve their competitiveness in their respective industries to the next level.

Continue to improve the management capability of the Group

- We will continue to improve our management mechanism. We will continue to improve our corporate governance and maintain the best governance practice in the industry. We will promote healthy development of alternative investment banking businesses. We will optimise our assessment system and encourage synergy and "win-win". We will strengthen the management of the Group and synergy within the Group, fully implement the "Customer-centric" strategy. We will strengthen our compliance and internal control management to ensure our operation is in compliance with laws. We will also improve the internal audit system and effectively improve the independence of internal audit.

- We will improve the development of the Group's risk management system comprehensively. We will adhere to our prudent risk appetite and prudent risk management strategy, strengthen the transmission of the Group's risk appetite. We will strengthen the risk management and control over the whole process and improve the proactiveness and effectiveness of risk management. We will establish and improve the Group's risk monitoring system to improve the timeliness and accuracy of our risk management. We will strengthen the Group's risk management and control and improve the Group's overall capabilities and levels of risk management and control.

- We will optimise the structure of our capital and funds. We will improve the Group's capital management system and financial accounting system, strengthen the management on the Group's capital, accounting and tax, optimise the allocation of the Group's capital and capital resources to ensure that the total capital and capital structure of the Group meet with the regulatory requirements and improve our profitability and capital returns. We will maintain and explore to form a diversified and innovative debt financing system and improve and form a safe and efficient liquidity management mechanism.

- We will accelerate the development of "Digital Cinda". We will adopt a componentised structure in order to support the business operations with more flexibility, try out new technology applications in some procedures, explore intelligent workstreams, deepen data mining and applications to provide strong support for business development, management, decision-making, the management and control of the Group and other aspects.

- We will improve the level of human resource management. We will adhere to the concurrent planning for human resource management and business transformation and development. Our development goals are to build a younger, professional and market-oriented senior team. We will focus on building a senior team with coordinated seniority, balanced structure and sufficient members, constantly enhance the efficiency of salary and resource allocation and give full play to human resources to support the realisation of our strategic goals.

- We aim to create an advanced corporate culture. We will promote the core values of socialism, strengthen the high-quality development concept, inherit and develop Cinda's culture, strengthen the cohesion, core competitiveness and creativity of values for the development of the Company and promote to build the spirit, increase the capability and enhance the competitiveness of our Company by leveraging on our culture.

OUR PRINCIPAL BUSINESSES

Before, our principal business segments include our distressed asset management business, financial investment and asset management business and financial services business, among which, distressed asset management business is our core business, including acquiring, managing and disposing distressed debt assets from financial institutions and non-financial institutions; operating, managing and disposing debt-to-equity assets; conducting distressed asset management business in a comprehensive way with synergies within the Group, conducting restructuring, custody and liquidation businesses for Distressed Entities and distressed assets and conducting special situations investment business. Our financial investment and asset management business is an extension of core business, i.e. the distressed asset management business, which includes principal investment, asset management and consultancy and financial advisory services. Our financial services business is an important cross-selling driver of our business, which includes banking, securities, futures, fund management, trusts, financial leasing and insurance.

Upon consideration of the Company's overall reform goal and the adjustments to our internal operating strategies, to fully, objectively and truly reflect the Group's business, since 2019, we have combined the original three business segments which include our distressed asset management business, financial investment and asset management business and financial services business into two business segments which include distressed asset management business and financial services business. Before the adjustment to our business segments, our financial services business includes banking, securities, futures, fund management, trusts, financial leasing and insurance; and after the adjustment, our financial services business includes banking, securities, futures, mutual funds, trusts, leasing, insurance and other businesses.

The table below sets forth a breakdown of the major business lines and operating entities of each principal business segment.

	Distressed Asset Management	Financial Services
Business Lines	• Distressed debt asset management • Management of DES Assets • Other Distressed Asset Business • Other investment • Entrusted operation	• Banking • Securities • Futures • Fund management • Trusts • Financial leasing • Insurance[1]
Sources of Income	• Income from distressed debt assets at amortised cost • Fair value changes on distressed debt assets • Investment income • Fee and commission income from (i) management and disposal of entrusted distressed assets; and (ii) custody, liquidation and restructuring services for Distressed Entities • Income from DES Assets	• Interest income • Fee and commission income • Investment income • Fund management fee income • Insurance premium income • Interest income from financing leasing
Operating Entities	• Company • Cinda HK • Cinda Investment • Zhongrun Development • Cinda Real Estate	• NCB (including NCB Hong Kong and NCB China) • Cinda Securities • Cinda Futures • First State Cinda Fund • Cinda International • Jingu Trust • Cinda Leasing • Happy Life

Note:

(1) We engage in insurance business through Happy Life. Happy Life mainly offers various types of life and health insurance, accident insurance and reinsurance. In December 2019, we entered into a legally binding transfer agreement with the transferees, and thus our 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 our discontinued operation. In July 2020, the CBIRC has approved the transfer of such equity interests and the Company ceased to have any interest in Happy Life. Happy Life belonged to the financial services segment before it was classified as held for sale.

The table below sets forth the total income and profit before tax from our new distressed asset management business and financial services business for the years ended 31 December 2018, 2019 and 2020 and for the six months ended 30 June 2020 and 2021, respectively, after the adjustments to our business segments. In 2019, profit before tax from our financial services business increased from RMB375.4 million for the year ended 31 December 2018 to RMB4,632.8 million; and profit before tax from our financial services business accounted for 23.7% of our total profit before tax, increased from 2.0% for the year ended 31 December 2018. In 2020, due to the impact of the revenue received from the disposal of Happy Life and the increase of the operating efficiency in our financial subsidiaries, the profit before tax from our financial services business further increased from RMB4,632.8 million for the year ended 31 December 2019 to RMB9,848.1 million for the year ended 2020; and profit before tax from our financial services business accounted for 46.3% of our total profit before tax, further increased from 23.7% for the year ended 31 December 2019.

	For the year ended 31 December						**For the six months ended 30 June**			
	2018 *(Restated)*		**2019**		**2020**		**2020**		**2021**	
	Total income	**% of total**	**Total income**	**% of total**	**Total income**	**% of total**	**Total income**	**% of total**	**Total income**	**% of total**
	(In RMB millions, except percentages)									
Distressed Asset Management	78,785.9	73.6	75,654.3	70.2	80,100.1	70.5	35,171.5	65.0	31,625.0	76.4
Financial Services	29,381.6	27.5	33,684.2	31.3	34,371.6	30.3	19,355.3	35.8	10,013.4	24.2
Elimination	(1,141.5)	(1.1)	(1,557.7)	(1.5)	(915.8)	(0.8)	(389.4)	(0.8)	(236.8)	(0.6)
Total	107,026.0	100.0	107,780.8	100.0	113,555.9	100.0	54,137.4	100.0	41,401.6	100.0

	For the year ended 31 December						**For the six months ended 30 June**			
	2018 *(Restated)*		**2019**		**2020**		**2020**		**2021**	
	Profit before tax	**% of total**	**Profit before tax**	**% of total**	**Profit before tax**	**% of total**	**Profit before tax**	**% of total**	**Profit before tax**	**% of total**
	(In RMB millions, except percentages)									
Distressed Asset Management	18,607.9	99.0	15,237.6	78.0	11,503.1	54.1	7,779.6	70.6	6,987.0	71.7
Financial Services	375.4	2.0	4,632.8	23.7	9,848.1	46.3	3,225.3	29.3	2,751.9	28.2
Elimination	(194.8)	(1.0)	(324.7)	(1.7)	(69.4)	(0.3)	4.7	0.1	8.7	0.1
Total	18,788.5	100.0	19,545.7	100.0	21,281.8	100.0	11,009.6	100.0	9,747.7	100.0

Our two principal business segments complement one another and generate significant business synergies. Distressed asset management is the main business of our Group and is our primary source of income and profit. Through our distressed asset management business over the years, we have built an extensive client base and close relationships with government bodies and established a nationwide network of branch offices, which have produced many opportunities for and enhanced the performance of our other businesses. Financial services business is a key component of the business of the Group as well as an important cross-selling driver and benefited from our synergistic operations and management strategies. According to the strategic plan, we have focused on the development of the financial services business that can provide services and support to the development of Distressed Assets business. We have established a synergistic financial services platform covering banking, securities, futures, mutual funds, trusts and leasing businesses. We are committed to providing customised financial services and comprehensive solutions to our customers. Our financial services business provides clients with a diverse range of products and services. For example, through our securities, trust and financial leasing subsidiaries, we facilitate clients' access to capital markets, provide additional financing to clients with liquidity issues and present corporate clients with equipment financing solutions. After the acquisition of NCB, we have also been offering clients deposit-taking, loans, payment and settlement services and other banking services and further deepened the client-focused comprehensive business model by using the banking business as a bridge.

The synergistic development of our business segments has allowed us to build (i) a comprehensive asset management platform incorporating distressed asset management, private funds, securities, trust and fund management, and (ii) a diversified and comprehensive financial services platform offering customised products and services in securities, futures, trust, financial leasing, fund management and banking. These platforms reinforce our development of sustainable growth model and increase our asset size and corporate value. We have established operation strategies of "focusing on distressed assets business and collaborating with financial services business" and set detailed goals of enhancing the Group's management and control and consolidating our financial services platform.

Through our nationwide distressed asset management operations, we have contributed to local economic development and social stability and established close ties with provincial and municipal governments and many leading enterprises. Such efforts have laid a solid foundation for the continued expansion of our business. We have also developed close and multidimensional relationships with banks and other financial institutions, whose business operations are highly complementary to ours. We acquire distressed assets from financial institutions, thereby helping them optimise their balance sheet structure and reducing their overall financial risk. These financial institutions, mainly consisting of banks, serve as an important channel for us to acquire new clients and to expand into financial services and asset management. We maintained strategic cooperation relationships with many financial institutions, including the headquarters and branches of banks and non-bank financial institutions, in the areas of distressed asset disposal, asset management, credit support and joint financial product development.

Our diverse range of products and services can provide support to companies at different stages of their corporate development. The unique combination of products and services we offer provides clients with a broad selection of financing and investment alternatives covering a wide spectrum of capital structure. In particular, we provide clients facing financial or operational issues with financing support and advisory services, with a view of sharing in the future value appreciation of our clients. With our diversified securities, trust, financial leasing, fund management and banking platforms, as well as our qualification to acquire distressed assets from non-financial institutions, we are confident that our unique business model can provide customised financial solutions to our clients and enable us to serve the market demand that cannot be satisfied by traditional financial institutions.

Distressed Asset Management Business

Distressed asset management business is the main business of our Company and is our primary source of income and profit.

Since 2019, we have combined the original three business segments which include our distressed asset management business, financial investment and asset management business and financial services business into two business segments which include distressed asset management business and financial services business. After the adjustment to our business segments, income from our new distressed asset management business accounted for 70.2% and 70.5%, respectively, of our total income for the years ended 31 December 2019 and 2020; and profit before tax from our new distressed asset management business accounted for 78.0% and 54.1%, respectively, of our total profit before tax for the years ended 31 December 2019 and 2020.

The Company carries out its distressed asset management business through our Head Office as well our Company Branches. Our distressed asset management business includes (i) management and disposal of distressed debt assets acquired from financial institutions and non-financial enterprises; (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, etc.; and (iv) entrusted operation business.

The following tables set forth the key financial indicators of the aforementioned types of distressed asset management business of the Company as of the dates and for the periods indicated:

	As at 31 December			As at 30 June
	2018	2019	2020	2021
	(in RMB thousands)			
Company				
Acquisition and disposal of distressed debt assets				
Net balance of distressed debt assets[(1)] . . .	405,247.9	385,449.7	375,603.2	366,982.7
Management and disposal of DES Assets				
Book value of DES Assets	69,887.2	77,009.4	77,239.3	77,270.2
Other distressed assets				
Book value of other distressed assets[(2)(3)]. .	116,555.4	131,758.8	176,077.0	169,077.6

Notes:

(1) Equivalent to the sum of the Company's (i) distressed debt assets at fair value through profit or loss, and (ii) distressed debt assets at amortised cost, as presented in our consolidated financial statements.

(2) Primarily includes book value of assets such as non-standard debt investments and equity investments, investments in fixed income asset management products, investments in securitised asset products and debenture investments related to the distressed asset business.

(3) Due to the adjustment to our business segments in 2019, since our 2019 Interim Report, we have been listing out the book value of other distressed assets and income from other distressed assets separately.

	For the year ended 31 December			For the six months ended 30 June	
	2018	2019	2020	2020	2021
	(in RMB thousands)				
Company					
Acquisition and disposal of distressed debt assets					
Acquisition cost of distressed debt assets	169,597.6	116,710.8	105,056.9	43,150.5	45,589.5
Income from distressed debt assets[(1)]	30,584.2	30,101.2	29,326.5	15,462.9	14,448.1
Management and disposal of DES Assets					
Gains on fair value changes[(2)]	7,366.8	7,463.2	3,459.7	984.3	722.4
Gains realised with other approaches[(3)]	707.9	(342.2)	1,393.8	501.8	981.3
Other distressed assets					
Income from other distressed assets[(4)(5)]	9,551.8	5,688.0	6,893.2	2,563.9	4,492.1

Notes:

(1) For the year ended 31 December 2018, income from distressed debt assets equals to the sum of the Company's (i) fair value changes on distressed debt assets, and (ii) income on distressed debt assets at amortised cost, as presented in our consolidated financial statements; for the years ended 31 December 2019 and 2020, income from distressed debt assets equals to the sum of the Company's (i) fair value changes on acquisition-operation distressed debt assets, and (ii) income on distressed debt assets at amortised cost, as presented in our consolidated financial statements.

(2) Income of the DES Assets at fair value through profit or loss attributed to distressed asset segment, including the net gains or losses on disposal, dividend income, interest income and unrealised fair value changes of DES Assets.

(3) The net gains or losses from DES Assets accrued in associates and joint ventures attributed to distressed asset segment; dividend income from DES Assets at fair value through other comprehensive income.

(4) Gains on other distressed asset business, including loss and profit from fair value changes.

(5) Due to the adjustment to our business segments in 2019, since our 2019 Interim Report, we have been listing out the book value of other distressed assets and income from other distressed assets separately.

We are the leader of China's distressed asset management industry. We have developed distinct capabilities in distressed asset management, including industry-leading due diligence, valuation and pricing capabilities and market research capabilities. We have formed differentiated management strategies for distressed assets and employ a broad set of diversified and innovative methods in our disposal of distressed assets. We have developed robust custody, liquidation and restructuring related capabilities and formed a deep understanding of the industries in which our Distressed Entities clients operate. In addition to our focus on distressed asset management, we actively seek to innovate our business model and expand into new business areas in order to deliver sustainable growth.

We believe we are well-positioned to seize the vast opportunities presented by the structural transformation of China's economy, including supply of distressed assets, corporate and industry-related restructurings and consolidation.

Source of acquiring distressed debt assets

We classify our distressed debt assets into two main categories depending on the source of acquisition of the distressed asset: (i) NPLs and other distressed debt assets of banks and non-bank financial institutions ("**FI Distressed Assets**"); and (ii) accounts receivables from non-financial institutions ("**NFE Distressed Assets**").

The following tables sets forth some key financial indicators of our FI Distressed Assets and NFE Distressed Assets as of the dates and for the periods indicated:

	As at 31 December						As at 30 June	
	2018		2019		2020		2021	
	Amount	% of total	Amount	% of total	Amount	% of total	Amount (RMB)	% of total
	(In RMB millions, except percentages)							
Company								
Net balance of distressed debt assets(1)								
FI Distressed Assets	193,514.9	47.8	192,258.8	49.9	192,709.0	51.3	187,747.4	51.2
NFE Distressed Assets	211,733.0	52.2	193,190.9	50.1	182,894.2	48.7	179,235.3	48.8
Total	405,247.9	100.0	385,449.7	100.0	375,603.2	100.0	366,982.7	100.0

Note:

(1) Equivalent to the Company's (i) distressed debt assets at fair value through profit or loss, and (ii) distressed debt assets at amortised cost as presented in our consolidated financial statements.

	For the year ended 31 December						For the six months ended 30 June			
	2018		2019		2020		2020		2021	
	Amount	% of total	Amount	% of total	Amount	% of total	Amount (RMB)	% of total	Amount (RMB)	% of total
	(In RMB millions, except percentages)									
Company										
Acquisition cost of distressed debt assets(1)										
FI Distressed Assets	75,187.3	44.3	47,655.4	40.8	45,113.6	42.9	12,478.5	28.9	22,294.0	48.9
NFE Distressed Assets	94,410.3	55.7	69,055.4	59.2	59,943.3	57.1	30,672.0	71.1	23,295.5	51.1
Total	169,597.6	100.0	116,710.8	100.0	105,056.9	100.0	43,150.5	100.0	45,589.5	100.0
Income from distressed debt assets(2)										
FI Distressed Assets	12,666.9	41.4	13,163.5	43.7	10,164.5	34.7	5,890.3	38.1	6,952.4	48.1
NFE Distressed Assets	17,917.3	58.6	16,937.7	56.3	19,162.0	65.3	9,572.6	61.9	7,495.7	51.9
Total	30,584.2	100.0	30,101.2	100.0	29,326.5	100.0	15,462.9	100.0	14,448.1	100.0

Notes:

(1) Represents the carrying amounts of distressed debt assets acquired during the year indicated.

(2) For the year ended 31 December 2018, income from distressed debt assets equals to the sum of the Company's (i) fair value changes on distressed debt assets, and (ii) income on distressed debt assets at amortised cost, as presented in our consolidated financial statements; for the years ended 31 December 2019 and 2020, income from distressed debt assets equals to the sum of the Company's (i) fair value changes on acquisition-operation distressed debt assets, and (ii) income on distressed debt assets at amortised cost, as presented in our consolidated financial statements.

FI Distressed Assets

The FI Distressed Assets we acquired primarily include NPLs 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 etc. We also acquired distressed debt assets from non-bank financial institutions.

The table below sets forth a breakdown of our FI Distressed Assets in terms of acquisition costs among different types of banks and non-bank financial institutions for the periods indicated:

	As of and for the year ended 31 December						As of and for the six months ended 30 June			
	2018		2019		2020		2020		2021	
	Acquisition Cost	% of total	Acquisition Cost	% of total	Acquisition Cost	% of total	Acquisition Cost	% of total	Acquisition Cost	% of total
	(In RMB millions, except percentages)									
Large commercial Banks	22,489.1	29.9	15,001.0	31.5	14,726.7	32.6	5,593.2	44.8	7,100.1	31.8
Joint-stock commercial Bank	31,863.3	42.4	13,446.7	28.2	13,135.1	29.1	2,027.4	16.3	6,077.8	27.3
City and rural commercial banks	11,127.3	14.8	3,938.2	8.3	10,482.6	23.2	2,238.9	17.9	3,911.4	17.5
Other banks(1)	7,512.4	10.0	1,553.6	3.3	1,397.7	3.1	67.5	0.5	130.3	0.6
Non-bank financial institutions(2)	2,195.2	2.9	13,715.9	28.7	5,371.5	12.0	2,551.5	20.5	5,074.4	22.8
Total	75,187.3	100.0	47,655.4	100.0	45,113.6	100.0	12,478.5	100.0	22,294.0	100.0

Notes:

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

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

NFE Distressed Assets

We commenced NFE Distressed Asset management business after obtaining the relevant qualification from the former CBRC in June 2010. The NFE Distressed Assets we have acquired primarily include accounts receivable, other receivables, corporate bonds, entrustment loans and trust loans which were possessed by non-financial enterprises or managed by financial institutions as trustee.

The debtors mainly operate in real estate, manufacturing, mining and construction.

Business Models for Our Distressed Debt Asset Management

We mainly employ two business models in our distressed debt asset management: (i) the Acquisition-operation Model and (ii) the Restructuring Model.

Acquisition-operation Distressed Assets refer to distressed debt assets we acquired from financial institutions and non-financial institutions through competitive biddings, public auctions, blind auctions or negotiated acquisitions. Based on the characteristics of the distressed debt assets, we made relevant management strategies and applied multiple disposal methods to maximise 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 and disposal, etc.

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

The tables below set forth details on the acquisition and disposal of distressed assets by the Company using the Acquisition-operation Model and the Restructuring Model, respectively, for the periods indicated:

	As at 31 December				As at 30 June			
	2018		2019		2020		2021	
	Amount	% of total	Amount	% of total	Amount	% of total	Amount	% of total
	(In RMB millions, except percentages)							
Net balance of distressed debt assets								
Acquisition-operation Distressed Assets(1)	189,458.4	46.8	198,146.5	51.4	198,870.5	52.9	201,003.1	54.8
Restructured Distressed Assets(2)	215,789.5	53.2	187,303.2	48.6	176,732.7	47.1	165,979.6	45.2
Total	405,247.9	100.0	385,449.7	100.0	375,603.2	100.0	366,982.7	100.0

Notes:

(1) Equivalent to the Company's distressed debt assets at fair value through profit or loss as presented in our consolidated financial statements.

(2) Equivalent to the Company's distressed debt assets at amortised cost net of any impairment losses as presented in our consolidated financial statements.

	As of and for the year ended 31 December						As of and for the six months ended 30 June			
	2018		2019		2020		2020		2021	
	Amount	% of total	Amount	% of total	Amount	% of total	Amount	% of total	Amount	% of total
	(In RMB millions, except percentages)									
Acquisition cost of distressed debt assets										
Acquisition-operation Distressed Assets	75,944.7	44.8	52,155.3	44.7	45,631.8	43.4	12,808.0	29.7	21,751.1	47.7
Restructured Distressed Assets	93,652.9	55.2	64,555.5	55.3	59,425.1	56.6	30,342.5	70.3	23,838.4	52.3
Total	169,597.6	100.0	116,710.8	100.0	105,056.9	100.0	43,150.5	100.0	45,589.5	100.0
Income from distressed debt assets										
Acquisition-operation Distressed Assets(1) . . .	11,272.8	36.9	13,602.2	45.2	10,131.6	34.5	6,330.1	40.9	6,833.2	47.3
Restructured Distressed Assets(2).	19,311.4	63.1	16,499.0	54.8	19,194.9	65.5	9,132.8	59.1	7,614.9	52.7
Total	30,584.2	100.0	30,101.2	100.0	29,326.5	100.0	15,462.9	100.0	14,448.1	100.0

Notes:

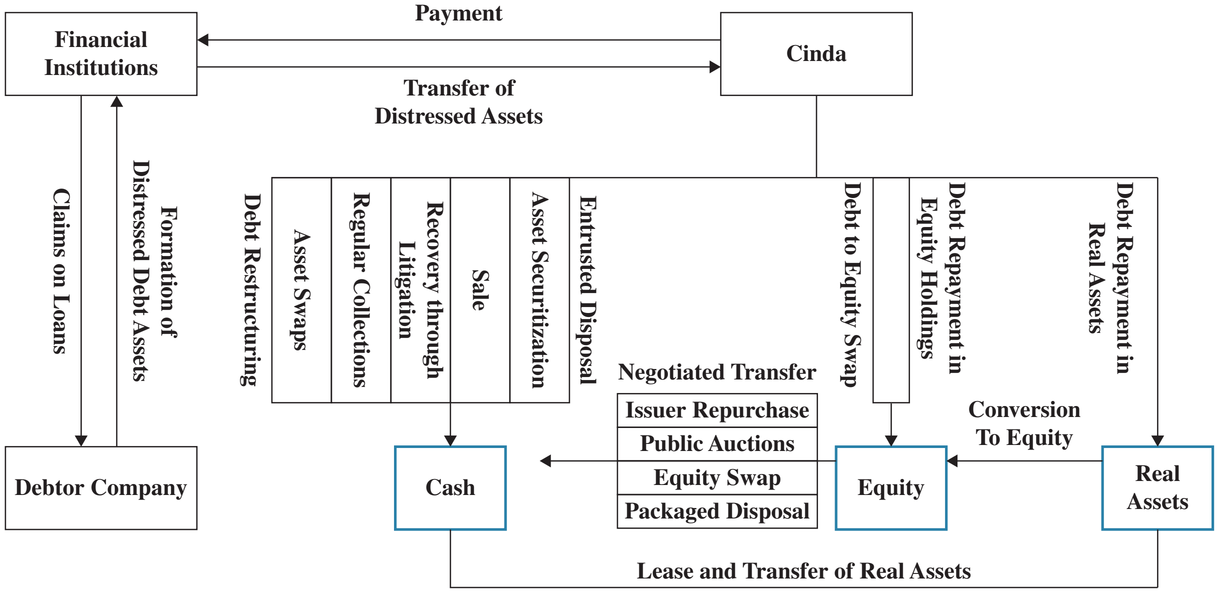
(1) Equivalent lo the Company's realised and unrealised fair value changes on acquisition-operation distressed debt assets, as presented in our consolidated financial statements.

(2) Equivalent to the Company's income from distressed debt assets at amortised cost as presented in our consolidated financial statements.

Acquisition-operation Model

Acquisition-operation Model is mainly applied to distressed debt assets we acquired from financial institutions and non-financial institutions through competitive biddings, public auctions, blind auctions or negotiated acquisitions. We usually will acquire such distressed debt assets at a discount. Based on the characteristics of the distressed debt assets, we made relevant management strategies and applied multiple disposal methods to maximise 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 and disposal, etc.

The chart below sets forth details of our Acquisition-operation Model.



The tables below set forth certain financial details on the Company's acquisition and disposal of Acquisition-operation Distressed Assets for the periods indicated:

	As at 31 December			As at 30 June
	2018	2019	2020	2021
	(In RMB millions, except percentages)			
Net balance of Acquisition-operation Distressed Assets	189,458.4	198,146.5	198,870.5	201,003.1

	For the year ended 31 December			For the six months ended 30 June	
	2018	2019	2020	2020	2021
	(In RMB millions, except percentages)				
Acquisition cost of Acquisition-operation Distressed Assets	75,944.7	52,155.3	45,631.8	12,808.0	21,751.1
Carrying amount of Acquisition-operation Distressed Assets disposed[(1)]	35,091.3	46,052.9	41,577.4	18,950.6	20,481.6
Unrealised fair value change	170.3	1,258.0	(2,231.1)	1,572.5	755.2
Net income from Acquisition-operation Distressed Assets	11,272.8	13,602.2	10,131.6	6,330.1	6,833.2
Internal rate of return (%)[(2)]	15.5	15.6	12.6	14.7	11.8

Notes:

(1) This item indicates the amounts of Acquisition-operation Distressed Assets disposed in a given period.

(2) The internal rate of return, or IRR, is the annualised implied discount rate calculated from a series of cash flows. It is the return that equates the present value of all capital invested in the Acquisition-operation Distressed Assets to the present value of all returns of capital, or the discount rate that will provide a net present value of all cash flows equal to zero.

Acquisition Process

We acquire Acquisition-operation Distressed Assets primarily through competitive biddings, public auctions, blind auctions or negotiated acquisitions. The discount rate between our acquisition price and the Original Value of the assets depends primarily on the quality of the assets. In addition to the valuation results and information we collect during our due diligence process, we consider the following factors when determining whether to acquire certain Acquisition-operation Distressed Assets and setting our offering prices for these assets: (i) projected cash recovery; (ii) the cost of capital and return on investment; (iii) projected disposal period; (iv) our competitors and the competitive landscape; and (v) our competitive advantage in the relevant geographic location and industry of the assets. We believe our extensive experience in the disposal of distressed assets prepares us well in estimating the recovery amount in distressed asset disposals. We believe that we have accumulated substantial experience in pricing and competitive bidding and have demonstrated our strong bidding capability in practice.

Classification of Assets and Value Enhancement

For Acquisition-operation Distressed Assets, based on the characteristics of the distressed debt assets, we have established corresponding management strategies and maximises the value of assets to achieve cash recovery by various disposal methods. Our primary methods of asset disposal include debt restructuring, swap of debts into equity, asset swap, receipt of equity and real assets in satisfaction of debt, regular collection, recovery through litigation, sale, asset securitisation and commissioned disposal and any combination of the above. We dispose of assets in batches, taking into account our disposal plan, the specific circumstances of the disposal, required return on capital and the Company's overall plan. We classify Acquisition-operation Distressed Assets into one of three types: (i) assets possessing significant potential for future appreciation; (ii) assets possessing low potential for future appreciation, of low quality, or that the debtor is unable or unwilling to repay; and (iii) other assets. We apply different disposal strategies for each type of assets. Below set out a detailed description of the different disposal strategies we apply to these three types of assets.

(a) For assets possessing significant potential for future appreciation, we utilise specialised management methods and coordination mechanisms for major debt assets to ensure long-term value appreciation and the optimisation of asset value at the time of disposal. Based on the specific circumstances of each project, we identify and adopt one or more of the following disposal strategies:

- *Financial restructuring*: we actively seek opportunities to convert the distressed debts we own into equity of the debtor company or to inject additional equity capital into the debtor company, thereby aligning the debtor company's interests with ours in order to ensure maximum value appreciation as well as facilitate our disposal of the assets by means of exit in the capital market. By exchanging the debt or DES Assets we hold for equity of a listed entity, we seek to recover our investment through capital markets transactions;

- *Operational restructuring*: we assist the debtor company with procuring strategic investments and optimising its business lines for debt or equity value enhancement in order to promote the value appreciation of our investments; and

- *Corporate governance improvement*: we help debtor companies improve their corporate governance by leveraging our rich experience in the custody, liquidation and restructuring of Distressed Entities.

We have executed complex restructuring projects by leveraging the vast experience we have accumulated throughout our dealings with Distressed Entities. We promote and realise value appreciation of the assets we invest in by collaborating with our subsidiaries. We actively involve our securities and investment subsidiaries in formulating disposal or restructuring plans and facilitating the capital markets access of a debtor or its related parties. Furthermore, our subsidiaries offer a broad range of financial services and products and provide debtor companies with customised financial solutions. In some instances, we design innovative transaction structures through swaps between debt and equity instruments to satisfy client needs and achieve our objectives. For real estate properties with value appreciation potential, we seek to enhance their value by utilising the resources and experience of our investment subsidiary Cinda Investment and its subsidiary Cinda Real Estate.

(b) For assets possessing low potential for future appreciation, widely dispersed in different locations, of low quality, or that the debtor is unable or unwilling to repay, we aim to swiftly dispose of the assets to minimise management and disposal costs. The primary methods of disposal we adopt for these types of assets are packaged sales through auctions, competitive bidding and negotiated purchases. For assets with relatively low value, the packaged sale method can effectively lower disposal expenses and increase the value of the asset package. In order to cater to market demands and create an optimal mix of debt, equity and real assets in asset packages, we take into account the location, industry and enterprise affiliation of the assets.

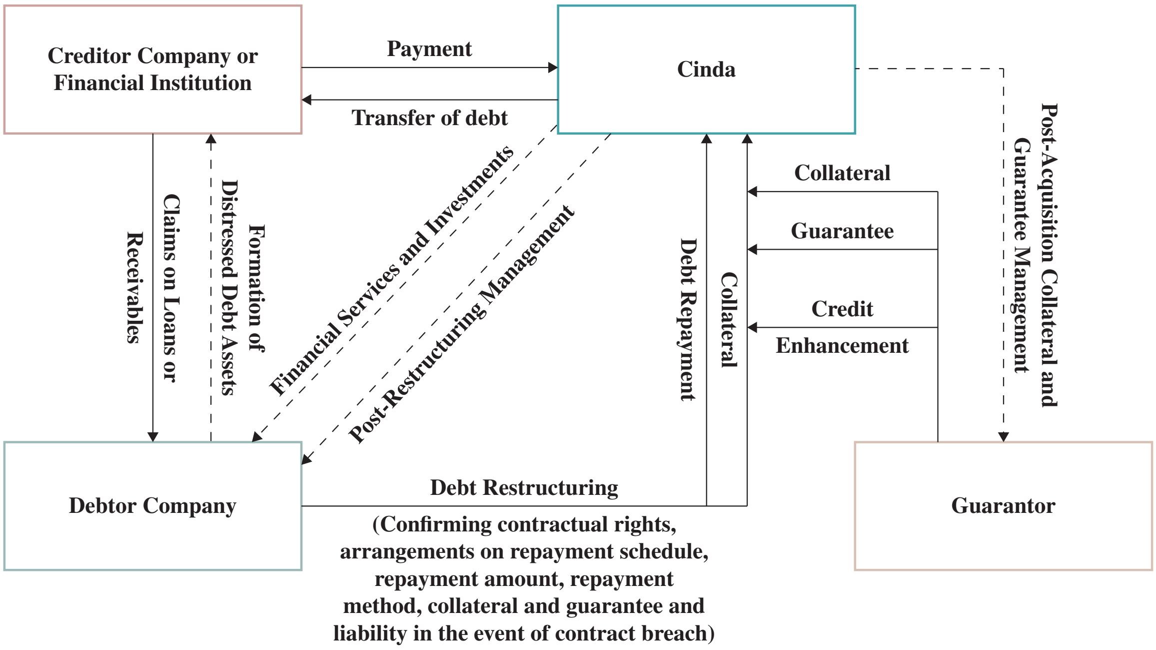
(c) For assets that do not belong to the two aforementioned categories, we closely monitor their conditions, evaluate their potential for value appreciation and adjust our disposal strategy as needed. The primary methods of disposal we adopt for this type of assets include debt restructuring, receipt of equity or real assets in satisfaction of debt, regular collection and recovery through litigation. We receive equity interests and real assets in satisfaction of debt through contract or court order and mainly from debtors who face cash flow issues but possess quality equity or real assets and who are willing to repay their debts. We generally entrust third party professionals with the disposal of assets that are difficult or costly to dispose of, such as consumer loans. We seek to collect from debtors who are willing and able to repay their debts in accordance with existing contracts. We also seek to recover debts through litigation or arbitration.

Restructuring Model

The primary sources of our Restructured Distressed Asset are non-financial enterprises, as well as banks and non-bank financial institutions. After confirming the contractual rights and obligations between the creditor and debtor, we will enter into an agreement with the creditor and debtor to acquire the debt. Concurrent to the debts acquisition, we, the debtor and its related parties also enter into a restructuring agreement that details the repayment schedule, repayment amount, repayment method and any collateral and guarantee arrangements, with the ultimate goal of reviving assets of corporates, recovering the debt and achieving target gains.

Under the Restructuring Model, we enhance the value of existing distressed debt assets through restructuring and provide differentiated financial services for enterprises in temporary liquidity difficulties. The main feature of the Restructuring Model is the restructuring of existing debt to resolve enterprise stock debt issues. We improve the cash flow and operating conditions of the debtor company, control potential credit risks in the supply chain and therefore promote the sound structural realignment of the industry through various restructuring measures of the existing debt. For the management of Restructured Distressed Assets, we benefit from the vast industry experience, restructuring capabilities and client resources we have accumulated throughout our management of Acquisition-operation Distressed Assets. We believe the development and structural transformation of China's economy will provide a steadily increasing supply of NFE Distressed Assets and significant opportunities for our distressed asset management under the Restructuring Model.

The chart below sets forth details of our Restructuring Model:



The table below sets forth certain financial details on our Company's acquisition and disposal of Restructured Distressed Assets for the periods indicated:

	As at 31 December			As at 30 June
	2018	2019	2020	2021
	(In RMB millions, except percentages)			
Company				
Net balance of Restructured Distressed Assets	215,789.5	187,303.2	176,732.7	165,979.6
Balance of impaired Restructured Distressed Assets	7,157.4	5,706.1	7,539.4	7,693.1
Impaired Restructured Distressed Assets ratio (%)(1)	3.13	2.87	3.90	4.23
Allowance for impairment losses	12,904.8	11,412.4	16,380.8	15,983.8
Impaired Restructured Distressed Assets coverage ratio (%)(2)	180.3	200.0	217.3	207.8

Notes:

(1) Equals the balance of impaired Restructured Distressed Assets divided by gross balance of Restructured Distressed Assets.

(2) Equals the balance of allowance for impairment losses divided by balance of impaired Restructured Distressed Assets.

	For the year ended 31 December			For the six months ended 30 June	
	2018	2019	2020	2020	2021
	(In RMB millions, except percentages)				
Company					
Acquisition cost of Restructured Distressed Assets	93,652.9	64,555.5	59,425.1	30,342.5	23,838.4
Income from Restructured Distressed Assets	19,311.4	16,499.0	19,194.9	9,132.8	7,614.9
Annualised return on monthly average balance (%)(1)	8.4	9.1	8.6	9.2	7.6

Note:

(1) Equals income from Restructured Distressed Assets divided by monthly average balance of Restructured Distressed Assets, of which income from Restructured Distressed Assets excluded the losses on the disposal of impaired assets.

Acquisition and Restructuring

We acquire Restructured Distressed Assets primarily through negotiated purchases. At the time of acquisition, we enter into restructuring agreements with debtor companies and related parties on repayment amounts, repayment methods, repayment schedules and collateral and guarantee arrangements for the restructured debts. Through routine management measures, we ensure the fulfilment of the agreed terms and the realisation of our target return. Therefore, the disposal and recovery of Restructured Distressed Assets is primarily accomplished through the fulfilment of the restructuring agreement by the debtors and other related parties. When the debtors and relevant parties cannot perform the restructuring agreements, we will dispose of the relevant Restructured Distressed Assets by using methods generally applicable to Acquisition-operation Distressed Assets, including debt restructuring, recovery through litigation and sales. For detailed descriptions of disposal methods of Acquisition-operation Distressed Assets, see "*Description of the Group – Our Principal Businesses – Distressed Asset Management Business – Business Models for Our Distressed Debt Asset Management – Acquisition-operation Model*". When deciding whether to acquire certain Restructured Distressed Assets, we mainly consider: (i) whether the principal and restructuring returns can be fully recovered in a timely manner. As a result, during the due diligence and approval processes, we focus on the analysis of a debtor's basic information, its sources of repayment funds, the availability of guarantee, and whether follow-up monitoring measures can be put in place; (ii) the repayment ability and intention of the counterparty, including its asset liquidity and adequacy of cash flows; and (iii) the legality, validity, authenticity and feasibility of the guarantee conditions and collaterals.

We adopt various measures to exert control over the projects and realise a target return on our investment. These measures include without limitation:

- Where possible and when necessary, we seek to improve the debtor's operating conditions and competitiveness through various means including (i) promoting financial and operational restructuring of the debtor, (ii) improving corporate governance of the debtor company by leveraging our experience in corporate governance, (iii) making equity investments and (iv) assisting the public listing of the debtor company.

- We require additional collateral or guarantees and strengthen monitoring measures such as (i) setting up a third-party benefits trust, (ii) taking control of company seals and chops and (iii) establishing escrow accounts.

- We seek to participate in important decision-making processes affecting the debtor company by appointing directors, supervisors and senior management as well as obtaining veto rights, in order to improve its corporate governance and operations and ensure fulfilment of restructuring terms.

- When necessary, we may decide to foreclose on collateral. Leveraging the resources and expertise of our investment and financial services subsidiaries, we strive to increase asset value and ultimately maximise our returns.

Routine Management

Our primary objectives in the routine management of Restructured Distressed Assets are to monitor debtor performance under the restructuring agreements and detect adverse events and potential risks that may affect the debtor's ability to perform its obligations under the restructuring agreement in a timely manner. To achieve such purpose, we conduct regular on-site and off-site due diligence to gain an in-depth understanding of the debtor. We analyse the individual circumstances of the debtors and the guarantors and adopt differentiated management strategies. We take into consideration various factors such as (i) the quality of debtor companies, and (ii) the quality, credit risk profile and financial condition, management quality and operational results of guarantor companies and grade our clients based on their ability to perform contractual obligations, ability to repay and risk-return considerations. We launched a client credit rating system at the end of 2013 to further strengthen our monitoring abilities over our debtor clients and to improve our risk pricing capabilities.

We also conduct on-site inspections of the debtor company and its guarantors at least once every quarter in order to timely discover any operational difficulties and other warning signs. By timely discovering and reporting any potential risks on the decision-making chain, we are able to adopt effective risk control measures. In addition, we also conduct regular off-site inspections at least once every six months by reviewing written materials on the debtor and guarantor.

In addition to the standard risk management measures we have adopted for our distressed debt assets, we have established specialised risk management mechanisms that account for the specific characteristics of our Restructured Distressed Assets. For more information on risk management of our Restructured Distressed Assets, see "*Risk Management*".

DES Asset Management

We have obtained a significant amount of DES Assets primarily through debt-to-equity swap, receipt of equity in satisfaction of debt and other distressed assets related transactions.

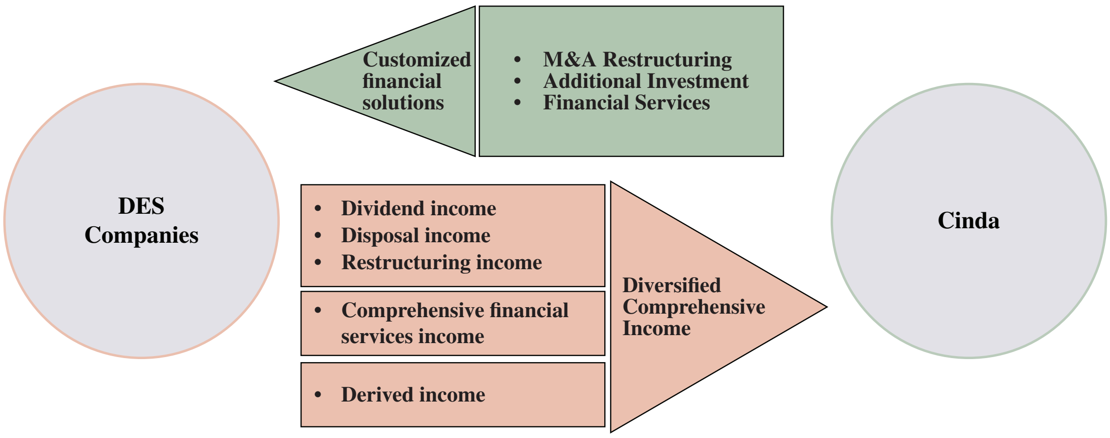
Our equity holdings in certain industry-leading companies in the coal, chemicals and metals industries constitute the majority of our DES Assets.

We utilise a principle of "One Enterprise One Approach" whereby we employ differentiated management and disposal methods for different DES Assets according to their respective characteristics. We promote the value appreciation of companies with whom we have swapped distressed debt into equities of these companies ("**DES Companies**") by providing additional investments and supporting their efforts to improve corporate governance, increase decision-making efficiency and conduct operational restructuring and mergers and acquisitions. We leverage our diversified business platform to provide the DES Companies with a comprehensive array of customised financial solutions. By enhancing the value of DES Companies, we simultaneously increase the liquidity of and returns generated by our DES Assets.

The broad range of management and disposal methods we utilise for our DES Assets generates revenue for us in multiple ways. We receive (i) dividend income, (ii) disposal income, and (iii) restructuring income[4] throughout our management and disposal of DES Assets. We also receive fee and commission income by providing financial services to DES Companies. Furthermore, the cooperative relationships we have established with local government authorities and other enterprises, through the DES Companies, have provided us with many benefits and additional business opportunities.

Over the years, we have developed a set of criteria to select equities and a wide array of value enhancing tools and innovative disposal methods for our DES Assets. The capabilities and experience we have accumulated through our DES Asset management business have not only reinforced our competitive advantages in our core business of distressed asset management, but also vigorously supported our financial investment, asset management and financial services businesses.

The diagram below sets forth details on the broad range of value-added services we offer to DES Companies as well as the revenue sources provided by DES Companies:



Sources and Classification of DES Assets

Our DES Assets include: (i) the DES Assets that were converted under government guidance from the distressed debt a sets of a number of medium and large SOEs the Company acquired prior to our restructuring, which constitute a majority of our DES Assets, (ii) additional equities of the aforementioned enterprises the Company subsequently acquired as part of asset package we purchased, (iii) additional investments by the Company in the aforementioned companies, (iv) equities the Company received in satisfaction of debt and equities the Company acquired through debt-to-equity swap transactions on our own initiative, (v) equities the Company received as part of the share capital when we were established in 1999, and (vi) equities from the market-oriented debt-to-equity swap transactions we conducted under Opinion of State Council on Vigorously, Steadily and Properly Reducing Corporate Leverage Ratios (State Council [2016] No. 54) (《國務院關於積極穩妥降低企業槓桿率的意見》) (國發[2016]54號) by market-oriented and legal means.

As at 31 December 2018, 2019 and 2020 and 30 June 2021, the total book value of our DES Assets amounted to RMB69,887.2 million, RMB77,009.4 million, RMB77,239.3 million and RMB77,270.2 million, respectively.

4 Refers to gain we realised from exchange of DES Assets to assets in other companies.

Routine Management of Our DES Assets

We have established a multi-dimensional and integrated management system in the Group for our DES Assets and cultivated a team of experienced professionals for our DES Asset management. The routine management of our DES Assets is handled by the project managers, project teams and shareholder representatives, directors, and supervisors we assign or appoint ("**assigned personnel**").

Our assigned personnel collect first-hand information on the DES Companies and utilise the advanced capabilities we have developed in information collection, maintenance and analysis. As a result of the synergistic collaboration between our Head Office, Company Branches, subsidiaries and professional teams, we are able to promote asset value and maximise our returns while reducing risks.

- We appoint a project manager for every DES Asset who is responsible for the routine management of the DES Asset. Our project managers collect and report relevant data and information, conduct on-site inspections, review the implementation status of decisions made in shareholder's meetings, board meetings and supervisors' meetings (collectively, "**Three Meetings**") and monitor the operating conditions of the DES Companies. We set strict guidelines for conducting due diligence visits and on-site inspections, the frequency of which is based on the size of our investment in the company, and the regular issuance of due diligence reports. During routine management, our project managers focus on (i) the development trends of the company, (ii) the value enhancement potential of our assets and (iii) any matters that may affect shareholder value or rights.

- We designate shareholder representatives and appoint board members and supervisors at DES Companies who submit proposals or exercise voting rights at the Three Meetings. We require our assigned personnel at DES Companies to conduct regular due diligence visits in order to gain in-depth knowledge of the company's operating conditions, assist and coordinate with project managers in fulfilling our annual operating plans with regard to the DES Companies and support our subsidiaries in providing comprehensive financial services to the DES Companies.

Value Enhancement and Realisation of DES Assets

Based on our in-depth knowledge of the DES Companies, we adopt differentiated management and operational strategies in accordance with the specific characteristics of each DES Company. For DES Companies that we believe have potential for value enhancement, we focus on increasing the value and liquidity of our DES Assets in the companies. For DES Companies with less potential for value enhancement, we seek to dispose of our DES Assets as quick as possible. For Listed DES Assets, we aim to reduce our holdings through the secondary market at the appropriate time.

- During the routine management of our DES Assets, we focus on assisting DES Companies in their efforts to standardise operations, reduce risks and enhance management standards, which in turn enhance the value of the DES Companies.

- We aim to increase the value and liquidity of our DES Assets by means of exiting in capital markets. For a DES Company with high value enhancement potential, we primarily seek to enhance its equity value and liquidity by (i) actively promoting the reorganisation and public listing of the company, (ii) exchanging equity of the DES Company for shares of publicly listed companies, or (iii) exchanging equity of the DES Company for the equity of an enterprise with premium assets. In addition, other methods we adopt in order to dispose of Unlisted DES Assets include (i) negotiated transfers, (ii) share repurchases and (iii) auctions, public sales through equity exchanges and other intermediary platforms.

- For DES Companies with significant potential for value appreciation, we also actively promote the public listing of these companies by providing additional investments or introducing strategic or financial investors.

DES Assets Disposal Income

The table below sets forth details of our income on DES Assets during relevant periods:

	As of and for the year ended 31 December			As of and for the six months ended 30 June	
	2018	2019	2020	2020	2021
	(In RMB millions, except percentages)				
Fair value changes[1]	7,366.8	7,463.2	3,459.7	984.3	722.4
Gains realised with other accounting approaches[2]	707.9	(342.2)	1,393.8	501.8	981.3

Notes:

(1) Refers to fair value changes of the DES Assets at fair value through profit or loss including the net gains or losses on disposal of DES Assets, dividend income, interest income and unrealised fair value changes.

(2) Income from DES Assets accrued in associates and joint ventures attributed to distressed assets segment; dividend income from DES Assets at fair value through other comprehensive income and income from DES Assets measured at available-for-sale financial assets, if any.

Other Distressed Asset Businesses

Our other distressed asset business is 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 dominant income and floating income as the auxiliary income. The risk characteristic of such business comprises credit risk and market risk. We mainly conduct other distressed asset business through the Company, Cinda HK, Cinda Investment and Zhongrun Development.

Other Distressed Asset Business of the Company

Other distressed asset business of the Company primarily refers to the investment business, in which the Company focuses on Distressed Entities aid and distressed assets revitalising. By means of private funds, trust plans and asset management plans, the Company uses its own funds or funds under its management in specific projects to resolve the existing risk and improve the operating conditions of enterprises, disposes or exits such investment in due course, mainly including non-standard debt and equity investment, fixed-income asset management product investment, securitisation product investment and bond investment.

In 2020, the Company's other distressed assets business focuses on relief of real economy and restructuring of distressed enterprises, with emphasis on providing integrated financial solutions via substantial restructuring and other means; vigorously promotes business innovation and exploring new business directions such as relief of listed companies, judicial auction funds and reducing the risks of private equity fund defaults.

In the first half of 2021, the Company's other distressed assets business focused on real economy relief and restructuring of distressed enterprises, with emphasis on providing integrated financial solutions via substantial restructuring and other means; vigorously promoted business innovation and explored new business areas such as judicial auction funds and risk mitigation of default private equity fund.

Other Distressed Asset Business of Cinda HK

Under the model of "Core Business of Distressed Assets + Investment Banking" and by strengthening the cooperation with the Group's headquarter and domestic Company Branches and subsidiaries, Cinda HK focused on the development of the restructuring business of distressed assets and Distressed Entities with cross-border demands, and participated in relevant investment and financing projects such as cross-border industrial restructuring, cross-border mergers and acquisitions and overseas settlement, which are supported by the national policies of industrial transformation and upgrade. The main types of business include restructuring business of Distressed Entities and distressed assets, acquisition and disposal business of overseas non-performing loans of Chinese financial institutions, acquisition and restructuring business of defaulted offshore US dollar denominated bonds issued by Chinese entities and supportive business of global resource integration of the Group's strategic clients.

Other Distressed Asset Business of Cinda Investment

By sticking to the primary function and main business of "Extensive Distressed Asset", deepening the position of "Distressed Asset Investment", and through the combination of equity and debt, resources integration, proactive management and cooperation with industry investors, etc., Cinda Investment vigorously promotes substantial restructuring of Distressed Entities and distressed assets in the real estate sector. It also actively engages in settlement and rescue of default and crisis events in such areas as shanty house rebuilding and urban renewal, and properly participates in the separation of the primary and subsidiary businesses of SOEs, mixed ownership reform, disposal of zombie enterprises and enterprises in extreme plight, and prudently engages in the bail-out of listed companies and their controlling shareholders. In addition, it explores the business of rescuing private enterprises to assist such enterprises to grow bigger and stronger. It also continues to improve its abilities in differentiated, characteristic and professional operations. In mitigating regional financial risks, serving the real economy and supporting supply-side structural reforms, it has formed its operational characteristics with obvious comparative advantages, effective and strong coordination and accomplished risk management and control as well as a healthy financial structure.

Other Distressed Asset Business of Zhongrun Development

Based on its professional ability and brand advantages in the field of enterprise custody, bankruptcy and liquidation management, Zhongrun Development focuses on the enterprise bankruptcy management and rescue of distressed enterprises by establishing special platform to provide bankruptcy costs and debt financing in the bankruptcy procedure for distressed enterprises. Zhongrun Development also focuses on special investment opportunities such as enterprise restructuring and reorganisation by means of custody, liquidation and reorganisation, so as to collaborate and promote the "Extensive Distressed Asset" business.

Other Investments

Cinda Real Estate

By taking advantage of its real estate expertise, Cinda Real Estate is committed to creating a professional real estate service platform within the "Extensive Distressed Asset" business of the Group. It provides professional post-investment management services and consultancy services for the real estate projects of the Group, revitalises distressed real estate assets and identifies and enhances values of such assets through equity merger and entrusted construction so as to provide effective methods for asset disposal and realisation.

For years ended 31 December 2018, 2019 and 2020 and for the six months ended 30 June 2021, Cinda Real Estate achieved revenue from sales of properties held for sale of RMB17,430 million, RMB18,160 million, RMB24,140 million and RMB4,280 million, respectively.

Entrusted Operation

We provide entrusted operation services for distressed assets and Distressed Entities under the engagement with government, enterprises and financial institutions. The entrusted distressed asset operation business was mainly conducted by the Company. Entrusted business is a debt-free business and we receive commission income from this business. Leveraging on our extensive experience in disposal of distressed assets, entrusted business has expanded our business scope, enriched our sources of distressed assets, help us to accumulate and maintain relationships with customers, especially government customers and bank customers, to win good market reputation. By providing customers with customised financial solutions to the clients, we achieve higher comprehensive income for the Group.

As at 31 December 2018, 2019 and 2020 and 30 June 2021, the balance of the entrusted operation distressed assets amounted to RMB13,160 million, RMB18,160 million, RMB11,400 million and RMB5,770 million, respectively.

Financial Services

According to the strategic plan, we have focused on the development of the financial services business that can provide services and support to the development of distressed assets business. A synergistic financial services platform has been established, covering banking, securities, futures, mutual funds, trusts and leasing business. We are committed to providing customised financial services and comprehensive solutions to our customers.

In 2019, we reclassified our business segments and the comparative numbers of financial services segment for the year ended 31 December 2018 have been restated. For the years ended 31 December 2018, 2019 and 2020 and for the six months ended 30 June 2020 and 2021, income from financial services business accounted for 27.5%, 31.3%, 30.3%, 35.8% and 24.2% of our total income, respectively; and profit before tax from our financial services business accounted for 2.0%, 23.7%, 46.3%, 29.3% and 28.2% of our total profit before tax, respectively.

Banking

We conduct banking business in Hong Kong and Mainland China through NCB (mainly include 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 the Group's strategies, we have put forward the goal of developing NCB into a platform for group account management, cross-selling and integrated financial services, as well as a growth point of group collaboration and transformation, which will promote the development of the entire financial services sector. Based on the above development object and functional position, NCB effectively utilises its highly complementary products and customer channels with the Group, fully implements the transformation strategy, actively promotes the synergy of the Group and continues to strengthen risk prevention and control, which has resulting in stable performance and achieved sustainable and stable development.

NCB engages in various wealth management services to individual customers, including deposits in various currencies, foreign exchange, trading of securities, funds, bonds, foreign exchange margin, securities margin, housing mortgage, as well as tax and personal loans and insurance services. It also provides import and export bills, trade financing, commercial loans, project financing and syndicate loans for corporate customers.

The table below sets out the key financial and business indicators of NCB as of the dates and for the periods indicated:

	As at 31 December			As at 30 June
	2018	2019	2020	2021
	(In RMB billions, except percentages)			
Total assets	407.6	437.0	424.1	434.3
Total loans	223.4	235.7	235.4	246.2
Total deposits	301.6	309.8	295.9	304.1
Asset quality indicators (%)				
Non-performing loan ratio(1)	0.63	0.67	0.86	1.67
Capital adequacy ratio indicators (%)				
Total capital ratio(2)	18.00	21.73	19.26	18.64
Tier 1 capital ratio(3)	16.95	17.99	15.61	15.12
Common equity tier 1 capital ratio(4)	13.50	14.58	12.89	12.56
Other indicators (%)				
Liquidity coverage ratio(5)	147.72	154.97	149.77	151.97
Leverage ratio(6)	9.40	9.58	10.00	9.79
Net stable funding ratio(7)				
Quarter end value of net stable funding ratio(8)				
First quarter	114.10	120.21	118.55	117.19
Second quarter	112.99	118.43	120.00	116.92
Third quarter	114.02	118.58	117.31	–
Fourth quarter	116.22	121.06	117.92	–

	For the year ended 31 December			For the six months ended 30 June	
	2018	2019	2020	2020	2021
	(In RMB millions, except percentages)				
Net interest income.	5.6	5.9	5.7	3.0	2.7
Net commission and fee income . .	1.4	1.3	1.4	0.8	0.8
Profitability indicators (%)					
Return on average assets(9)	0.76	0.73	0.77	1.00	0.74
Return on average shareholder's equity(10).	7.74	7.30	6.49	9.01	6.50
Net interest margin(11).	1.66	1.51	1.45	1.46	1.38
Cost-to-income ratio(12).	35.91	37.57	36.30	32.50	35.57

Notes:

(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 capital of common equities divided by net risk-weighted assets.

(5) 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.

(6) Equals core net capital divided by sum of on-balance-sheet and off-balance-sheet assets.

(7) Equals available stable funding divided by required stable funding.

(8) Is calculated based on the calculation methodology and instructions set out in the HKMA return of stable funding position.

(9) Equals profit after tax for the period divided by the average of assets as at the beginning and the end of the period.

(10) 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.

(11) Equals net interest income divided by daily average balance of interest-generating assets.

(12) Equals operating expenses divided by operating income.

Business strategy of NCB

Firstly, taking the advantages of the solid foundation in enterprise financial business and strong synergy effect, NCB provides targeted and comprehensive solutions for enterprise customers and effectively to enhance their capacity of professional services and market competitiveness.

Secondly, NCB focuses on wealth management and provides mid-to-high end customers with personalised, customised and comprehensive wealth management solutions.

Thirdly, with the effective use of the characteristics of cross-border business, NCB expands sustainable partners and creates a platform of comprehensive financial services in cross-border business.

Risk management and control of NCB

The risk management of NCB is an important part of the risk management system of the Group. Through the establishment of risk information reporting mechanism, adoption of the risk assessment indicator system for regular testing and evaluation, and field inspection, risk inspection, management meetings and others to supervise and guide the risk management of NCB, the Group achieves global linkage and full coverage of the risk management with NCB.

NCB Hong Kong

Rooted in Hong Kong, NCB Hong Kong focuses on providing professional service and deep cultivation, and it is well-known for its expertise for personal wealth management and corporate banking services. NCB Hong Kong continues to develop various wealth and asset management products to help corporate and personal customers to hedge and manage interest rate and exchange rate risks. Moreover, it has made substantial investments in the RMB bond market and expanded the domestic financing channels. In particular, it has used foreign exchange hedging and other means related to "bond link", with an aim to diversify the sources of RMB denominated funds and reduce interest expense.

Retail banking business: NCB Hong Kong provides a wide range of personal wealth management products, including various types of investment products, such as deposits and foreign exchange, trading of securities, funds and bonds, and life insurance. As at 31 December 2018, 2019 and 2020 and 30 June 2021, the balance of deposits from retail customers of NCB Hong Kong amounted to RMB101.8 billion, RMB119.2 billion, RMB111.6 billion and RMB114.1 billion, respectively. NCB Hong Kong also provides a wide range of personal loan products to personal customers, including housing mortgage, taxation and various personal loans. As at 31 December 2018, 2019 and 2020 and 30 June 2021, the balance of loans from retail customers of NCB Hong Kong amounted to RMB23.0 billion, RMB29.4 billion, RMB29.0 billion and RMB29.6 billion, respectively. In recent years, by cooperating with NCB China and taking advantage of its cross-border business, NCB Hong Kong has provided credit plans for cross-border customers, using their properties in Mainland China as security. For the years ended 31 December 2018, 2019 and 2020, the net interest income from retail customers of NCB Hong Kong amounted to RMB0.8 billion, RMB0.9 billion and RMB0.8 billion, respectively; the net commission and fee income from retail customers of NCB Hong Kong amounted to RMB0.5 billion, RMB0.5 billion and RMB0.6 billion, respectively. For the six months ended 30 June 2020 and 2021, the net interest income from retail customers of NCB Hong Kong amounted to RMB0.4 billion and RMB0.3 billion, respectively.

Corporate banking business: NCB Hong Kong provides industrial and commercial customers in Hong Kong with a range of credit financing products, such as import and export bills, trade financing, overdraft, industrial and commercial loans, project loans, syndicate loans and other services, at the same time, it emphasises the characteristics of cross-border financing to meet the financing needs of cross-border enterprises. As at 31 December 2018, 2019 and 2020 and 30 June 2021, its deposits from corporate customers amounted to RMB99.9 billion, RMB100.0 billion, RMB98.1 billion and RMB105.8 billion, respectively; its loans to corporate customers amounted to RMB127.8 billion, RMB140.6 billion, RMB137.7 billion and RMB142.7 billion, respectively. For the years ended 31 December 2018, 2019 and 2020, the net interest income from corporate customers of NCB Hong Kong amounted to RMB2.1 billion, RMB2.4 billion and RMB2.2 billion, respectively; the net commission and fee income from corporate customers of NCB Hong Kong amounted to RMB0.5 billion, RMB0.5 billion and RMB0.6 billion, respectively. For the six months ended 30 June 2020 and 2021, the net interest income from corporate customers of NCB Hong Kong amounted to RMB1.1 billion and RMB0.9 billion, respectively; the net commission and fee income from corporate customers of NCB Hong Kong amounted to RMB0.3 billion and RMB0.3 billion, respectively.

Treasury business: NCB Hong Kong continues to develop various treasury products to help corporate and personal customers to hedge and manage interest rate and exchange rate risks. Moreover, it has made substantial investment in RMB bond market and expanded the domestic financing channels. In particular, it has used foreign exchange hedging and other means related to "bond link", with an aim to diversify the sources of RMB denominated funds and reduce interest expense.

NCB China

NCB China, which leverages the resources of the Group and the advantages of its parent bank NCB Hong Kong, is characterised by its cross-border integrated financial and asset management services. It constantly improves the level of serving domestic and overseas customers by upholding the principle of "dedicated to serving customers" and transforming into a fintech institution.

The table below sets out the key financial and business indicators of NCB China as of the dates and for the periods indicated:

	As at 31 December			As at 30 June
	2018	**2019**	**2020**	**2021**
	(In RMB billions, except percentages)			
Total assets	151.3	140.1	143.0	146.3
Total loans	74.9	73.2	82.1	87.3
Total deposits	91.3	94.8	95.4	101.0
Asset quality indicators (%)				
Non-performing loan ratio	0.85	0.84	0.86	1.40
Provision coverage ratio	231.35	188.45	233.52	152.49
Capital adequacy ratio indicators (%)				
Core tier 1 capital adequacy ratio	15.57	16.71	15.57	14.75
Tier 1 capital adequacy ratio	15.57	16.71	15.57	14.75
Capital adequacy ratio	16.53	17.37	16.58	15.39

	For the year ended 31 December			For the six months ended 30 June	
	2018	**2019**	**2020**	**2020**	**2021**
	(In RMB billions, except percentages)				
Net interest income	2.0	1.7	1.9	1.1	1.1
Net commission and fee income	0.5	0.3	0.3	0.2	0.2
Profitability indicators (%)					
Return on average assets	0.76	0.55	0.39	0.69	0.46
Return on average shareholder's equity	8.66	5.78	3.81	6.71	4.51

Corporate banking business: NCB China's corporate banking business 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 under the national "Belt and Road" strategy with a flexible portfolio of cross-border products and service solutions.

Personal banking business: NCB China's personal banking business mainly includes deposit, credit and debit cards, consumer credit and mortgage loans and personal assets management services for individual customers. In active response to the national call, NCB China intensifies efforts to develop inclusive finance with a series of products such as "Zhu Nong Loans" (助農貸) and "Pu Hui Bao" (普惠寶) while sticking to its main businesses and to serve the real economy.

Financial markets business: NCB China's financial markets business mainly includes (1) foreign exchange market business, mainly spot, forward and swap foreign exchange transactions; (2) money market business, mainly interbank deposit, lending and loans as well as positive and negative repurchase business; (3) derivatives business, mainly interest rate swap business and agent structured financial services; (4) fixed income market business, mainly bond business (including large transferable certificates of deposit); and (5) commodity business, mainly gold and silver deferred business, gold forward and gold swap business.

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

	As at 31 December			As at 30 June
	2018	2019	2020	2021
	(In RMB billions, except percentages)			
Balance of corporate deposits	81.8	84.1	85.0	90.6
Proportion in the total balance of deposits (%)	90.2	88.7	89.1	89.7
Balance of retail deposits	8.9	10.7	10.4	10.4
Proportion in the total balance of deposits (%)	9.8	11.3	10.9	10.3
Balance of corporate loans	58.7	55.7	62.5	65.6
Proportion in the total balance of loans (%)	78.7	76.2	76.1	75.1
Balance of retail loans	15.9	17.4	19.6	21.7
Proportion in the total balance of loans (%)	21.3	23.8	23.9	24.9

Securities, Futures and Fund Management

We conduct our securities, futures and fund management businesses through Cinda Securities its subsidiaries. We conduct securities and futures businesses in mainland China through Cinda Securities and Cinda Futures. We conduct mutual fund management and other asset management business in mainland China through First State Cinda Fund and conduct cross-border securities brokerage, financial products trading, investment banking and asset management businesses in Hong Kong through Cinda International. For the years ended 31 December 2018, 2019 and 2020, Cinda Securities generated a revenue of RMB1,658.8 million, RMB2,223.0 million and RMB3,162.4 million, respectively. For the six months ended 30 June 2020 and 2021, Cinda Securities generated a revenue of RMB1,569.8 million and RMB1,486.1 million, respectively.

Currently, we plan to spin-off Cinda Securities and its subsidiaries and have them listed on the Shanghai Stock Exchange. On 27 November 2020, the Hong Kong Stock Exchange confirmed that we can proceed with the proposed spin-off and listing of Cinda Securities. Cinda Securities has submitted a formal application to the CSRC in respect of the listing of its shares on the Shanghai Stock Exchange and received a notice of acceptance from the CSRC on 28 December 2020. The proposed spin-off and listing are still subject to approvals of relevant authorities (including the CSRC, Shanghai Stock Exchange, etc.) and satisfaction of other relevant conditions.

Cinda Securities

As our securities business platform, Cinda Securities leverages our nationwide network and client resources, actively cooperates with our Head Office and Company Branches, bridges with capital markets and serves clients of our distressed asset management business by providing investment banking, asset management and other value-added services. For example, Cinda Securities provides professional asset management services to the Company with respect to its management of publicly-traded equities; furthermore, it provides extensive financial services to the DES Companies and their subsidiaries, such as IPO, M&A and restructuring advisory and bond underwriting services. In addition, Cinda Securities leverages its investment management capabilities to provide the Company with targeted asset management services and research support through issuing professional industry and corporate research reports.

The table below sets forth the revenue from Cinda Securities' various businesses of its overall revenue for the periods indicated.

	As of and for the year ended 31 December						As of and for the six months ended 30 June			
	2018		2019		2020		2020		2021	
	Amount	% of total	Amount	% of total	Amount	% of total	Amount	% of total	Amount	% of total
	(In RMB millions)									
Securities brokerage	1,406.8	84.8	1,336.7	60.1	1,639.4	51.8	724.4	46.1	798.9	53.8
Investment banking	306.6	18.5	230.2	10.4	542.0	17.1	261.7	16.7	318.9	21.5
Asset management	20.8	1.3	81.5	3.7	141.1	4.5	28.7	1.8	83.4	5.6
Futures	167.1	10.1	148.1	6.7	154.3	4.9	56.5	3.6	90.3	6.1
Other businesses	(242.5)	(14.7)	426.5	19.1	685.6	21.7	498.5	31.8	194.6	13.0
Total	1,658.8	100.0	2,223.0	100.0	3,162.4	100.0	1,569.8	100.0	1,486.1	100.0

Cinda Securities' primary business lines include:

- *Securities brokerage*: Cinda Securities provides both institutional and individual clients with securities brokerage services and financial product distribution services. As at 31 December 2020 and 30 June 2021, the number of clients of Cinda Securities' securities brokerage business amounted to 1.915 million and 2.118 million, respectively, the total value of its AUM amounted to RMB228,880 million and RMB243,160 million, respectively. For the six months ended 30 June 2020 and 2021, the total turnover of Cinda Securities' securities brokerage business amounted to RMB1,196,440 million and RMB1,190,280 million, respectively.

- *Investment banking*: Cinda Securities' investment banking services primarily include equity financing, debt financing and M&A and restructuring financial advisory business. For the years ended 31 December 2018, 2019 and 2020, the fee and commission income from Cinda Securities' underwriting business amounted to RMB275.1 million, RMB179.9 million and RMB454.0 million, respectively. For the six months ended 30 June 2020 and 2021, the fee and commission income from Cinda Securities' underwriting business amounted to RMB260.3 million and RMB195.2 million, respectively.

- *Asset management*: Cinda Securities has launched various wealth management products, including fund-of-funds, hybrid investments, cash management, fixed income and etc. As at 31 December 2018, 2019 and 2020 and 30 June 2021, the AUM balance of Cinda Securities amounted to RMB90,040 million, RMB105,680 million, RMB140,780 million and RMB165,760 million, respectively. For the years ended 31 December 2018, 2019 and 2020, the commission and fee income from Cinda Securities' asset management business from trust clients amounted to RMB84.3 million, RMB80.2 million and RMB135.7 million, respectively. For the six months ended 30 June 2020 and 2021, the commission and fee income from Cinda Securities' asset management business from trust clients amounted to RMB41.4 million and RMB51.3 million, respectively.

- *Futures business*: Cinda Securities conducts its futures business through Cinda Futures. For more information about Cinda Futures, see "*Description of the Group – Financial Services – Securities, Futures and Fund Management – Cinda Futures*".

- *Other businesses*: Cinda Securities also conducts other businesses, which were mainly investment business and credit business. For the years ended 31 December 2018, 2019 and 2020, the gains realised from the investment business of Cinda Securities amounted to RMB43.3 million, RMB362.0 million and RMB484.6 million, respectively. As at 31 December 2018, 2019 and 2020 and 30 June 2021, the turnover of margin financing business of Cinda Securities amounted to RMB5,660 million, RMB6,860 million, RMB9,590 million and RMB10,160 million, respectively. The turnover of stock pledge business of Cinda Securities amounted to RMB4,960 million, RMB1,770 million, RMB800 million and RMB640 million, respectively.

Cinda Futures

We conduct futures business through Cinda Futures. For the years ended 31 December 2018, 2019 and 2020, the income from futures business of Cinda Futures amounted to RMB167.1 million, RMB148.1 million and RMB154.3 million; and the operating profit of Cinda Futures amounted to RMB65.5 million, RMB48.8 million and 57.6 million. For the six months ended 30 June 2020 and 2021, the income from futures business of Cinda Futures amounted to RMB56.5 million and RMB90.3 million, respectively; and the operating profit of Cinda Futures amounted to RMB14.7 million and RMB35.4 million, respectively.

First State Cinda Fund

We conduct mutual fund business through First State Cinda Fund. Such 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 31 December 2018, 2019 and 2020 and 30 June 2021, the Group had 21, 24, 31 and 36 mutual securities investment funds with the total AUM of mutual funds and asset management plans amounted to RMB34,120 million, RMB21,800 million, RMB46,540 million and RMB57,730 million, respectively. For the years ended 31 December 2018, 2019 and 2020, the management fee income from mutual funds and asset management plans amounted to RMB125.9 million, RMB97.7 million and RMB310.9 million, respectively. For the six months ended 30 June 2020 and 2021, the management fee income from mutual funds and asset management plans amounted to RMB121.2 million and RMB229.9 million, respectively.

Cinda International

Cinda International is an integrated financial service company listed on the Hong Kong Stock Exchange (Stock code: 00111).

We access to foreign capital markets through Cinda International to conduct cross-border securities brokerage, financial product trading, investment banking and asset management businesses in Hong Kong. Cinda International focuses on the restructuring and reorganisation needs of the Group and Chinese enterprises during the course of "Going out and Bringing in" and it makes full use of funds and other methods to provide comprehensive brokerage services and asset management services for the Group and Chinese enterprises to participate in the international market.

For the years ended 31 December 2018, 2019 and 2020, Cinda International generated a revenue of RMB209.0 million, RMB208.7 million and RMB250.2 million, respectively. For the six months ended 30 June 2020 and 2021, Cinda International generated a revenue of RMB105.2 million and RMB121.2 million, respectively.

Trusts

We conducted trust business through Jingu Trust. Leveraging the marketing and client resources of the Group and our Company Branches, Jingu Trust serves as an important channel to the strategic transformation of our business model and revenue structure.

As at 31 December 2018, 2019 and 2020 and 30 June 2021, our existing trust AUM amounted to RMB140,100 million, RMB100,290 million, RMB143,000 million and RMB149,600 million, respectively and we managed 142, 141, 164 and 227 existing trust projects, respectively. For the years ended 31 December 2018, 2019 and 2020, the fees and commission income generated from our trust business amounted to RMB360 million, RMB260 million and RMB390 million, respectively, and accounted for 65.5%, 41.0% and 79.0% of Jingu Trust's total revenue in respective periods. For the six months ended 30 June 2020 and 2021, the fees and commission income generated from our trust business amounted to RMB180 million and RMB220 million, respectively, and amounted for 80.9% and 76.5% of Jingu Trust's total revenue in respective periods. Jingu Trust also conducts businesses such as proprietary loan, investment in financial products and financial equity investment, among others.

The investment areas of our trust projects include infrastructure, real estate and industrial and commercial enterprises. The table below sets forth details of distribution by industry of our existing trust funds at the dates indicated:

	As at 31 December						As at 30 June	
	2018		2019		2020		2021	
	Amount	% of total	Amount	% of total	Amount	% of total	Amount	% of total
	(In RMB millions)							
Asset-backed securitisation	75,430.0	53.8	19,304.0	19.2	54,903.0	38.4	69,953.0	46.8
Industry and commerce	9,897.0	7.1	13,693.0	13.7	32,924.0	23.0	26,748.0	17.9
Infrastructure	14,058.0	10.0	9,254.0	9.2	9,272.0	6.5	15,301.0	10.2
Real estate	16,028.0	11.4	17,152.0	17.1	9,662.0	6.8	13,665.0	9.1
Securities markets	3,460.0	2.5	2,878.0	2.9	800.0	0.5	1,734.0	1.2
Financial institutions	8,393.0	6.0	4,588.0	4.6	3,760.0	2.6	1,204.0	0.8
Others	12,830.0	9.2	33,422.0	33.3	31,676.0	22.2	20,991.0	14.0
Total	140,096.0	100.0	100,291.0	100.0	142,997.0	100.0	149,596.0	100.0

Financial Leasing

We conduct our financial leasing business through Cinda Leasing, providing clients with customised financial solutions including direct financial leasing and sale-leaseback.

As of 31 December 2018, 2019 and 2020 and 30 June 2021, the net finance lease receivables of the Group were RMB46.26 billion, RMB41.69 billion, RMB46.58 billion and RMB51.43 billion, respectively. For the years ended 31 December 2018, 2019 and 2020, the net revenue generated by our financial leasing business was RMB1,172.8 million, RMB1,319.1 million and RMB1,592.7 million, respectively; and the net profit generated from the financial leasing business of the Group was RMB64.8 million, RMB85.4 million and RMB224.6 million, respectively. For the six months ended 30 June 2020 and 2021, the net revenue generated by our financial leasing business was RMB676.6 million and RMB859.2 million, respectively; and the net profit generated from the financial leasing business of the Group was RMB112.8 million and RMB188.6 million, respectively.

Cessation of Our Insurance Business

We used to conduct our P&C insurance business through Cinda P&C. In 2017, we transferred 1.23 billion shares we held in Cinda P&C to Shenzhen Investment Holding Co., Ltd., which amounted to 41% of Cinda P&C's total share capital, at a consideration of RMB4.22 billion. The transfer of shares in Cinda P&C was completed in 2017 and its name was changed to Guoren Property and Casualty Insurance Co., Ltd. ("**Guoren Property Insurance**") with the consent of the former China Insurance Regulatory Commission. Guoren Property Insurance was no longer incorporated into our consolidated financial statements as a subsidiary.

We used to conduct our life and health insurance business through Happy Life. On November 19, 2019, upon the approval from the Board of Directors, we decided to sell all of the equity interests of 50.995% in Happy Life in whole.

In December 2019, we entered into a legally binding transfer agreement with Champion Property & Casualty Insurance Co., Ltd. ("**Champion Insurance**") and Dongguan Communications Investment Group Co., Ltd. ("**DCIG**") as joint transferee. The consideration of the transfer is RMB7,500,000,000. Thus, our 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 our discontinued operation.

In July 2020, we received the "CBIRC's Approval in respect of the Change of Shareholder of Happy Life Insurance Co., Ltd." (Yin Bao Jian Fu [2020] No. 442), which approved the transfer of 50.995% of the equity interests held in Happy Life by us to Champion Insurance and DCIG and that the amendment procedures to be performed according to the relevant provisions. From the date of approval by the CBIRC in respect of relevant matters of the transfer, we cease to have any equity interests in Happy Life. The transfer of equity interests we held in Happy Life was completed in July 2020. Happy Life ceased to be included in our consolidated financial statements and was no longer a subsidiary of the Group. For the financial information for 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 presented separately in the consolidated income statement. The comparative consolidated statement of profit or loss has been re-presented as if the operation discontinued during the current year had been discontinued at the beginning of the comparative period.

FUNDING SOURCES

Our primary businesses, such as distressed asset management, follow a business model whereby high upfront capital requirements are gradually offset by cash return in the middle and latter period of the project. Therefore, a certain amount of working capital must come from external sources. With respect to our distressed asset management business, we generally dispose of the distressed assets within 12-48 months or even longer of their purchase. We intend to maintain our competitive strengths in the Distressed Assets market, and therefore our demands for capital will grow.

At the present, we have already established diversified, market-oriented and stabilised funding channels that serve our business expansion and satisfy our working capital demands. We continuously refine the structure of liabilities by carrying out direct financing with a focus on bond financing. We have acquired stable sources of capital through the implementation of the following funding strategies:

- Establishing a capital management system to effectively monitor, manage our fund flows and liquidity risk and increase our cash recovery capabilities;

- Maintaining stable and long-term cooperative relationships with major domestic commercial banks and non-bank financial institutions in order to secure stable and low-cost funding; and

- Actively expanding our diversified and innovative funding channels and increase our financing potential.

Among our primary business' financial sources, retained earnings are a significant source of funds for the Group. The Group's stable profitability provides a continuous source of funds and ensures the sustainability of our business. As at 31 December 2018, 2019 and 2020 and 30 June 2021, our retained earnings were RMB54,041 million, RMB60,777 million, RMB68,876 million and RMB69,849 million respectively.

Over the past few years, we have established a diverse range of external funding channels such as:

- Debt Financing:

    - *Inter-bank market*: this is considered a short-term financing channel. As we are the first among the Five AMCs to tap into the lower-cost nationwide inter-bank market, we are able to satisfy short-term funding needs and short-term liquidity requirements through methods such as inter-bank borrowing and repurchase agreements.

    - *Borrowing*: this is considered a medium-term debt financing channel which can be used to meet the funding needs for business expansion or daily operations. The lending terms of bank loans generally range from one to three years and the lending terms of insurance loans generally range from one to five years. As at 31 December 2018, 2019 and 2020 and 30 June 2021, the balance of the Group's borrowing was RMB570,870.2 million, RMB536,591.3 million, RMB556,912.1 million and RMB579,614.7 million, respectively. Starting in 2012, we established a capital pool management method, whereby we expanded our financing scope and adopted a centralised price negotiation method and wholesale borrowing method to increase our pricing power.

- *Bond issuance*: this is considered a long- and medium-term debt financing channel. We continuously refine the structure of liabilities by carrying out direct financing with a focus on bond financing. For the years ended 31 December 2018, 2019 and 2020, our newly incurred bonds payables mainly include: In 2018, the Company issued financial bonds of RMB26 billion and asset-backed securities of RMB49.22 billion, a subsidiary of Cinda HK issued guaranteed senior notes of U.S$2.5 billion, NCB China issued financial bonds of RMB5 billion and certificates of deposits of RMB1.3 billion; in 2019, the Company issued asset-backed securities of RMB65.48 billion, Cinda Investment and its subsidiaries issued corporate bonds of RMB11.28 billion, a subsidiary of Cinda HK issued guaranteed senior notes of U.S.$1 billion; and in 2020, the Company issued financial bonds of RMB25 billion, asset-backed securities of RMB55.05 billion and issued tier 2 capital bonds of RMB8 billion in the national inter-bank bond market and Cinda HK issued medium term notes of U.S.$2 billion. In the first half of 2021, our newly incurred bonds payables mainly include asset-backed securities of RMB65.26 billion issued by the Company and the U.S.$2 billion medium term notes issued by Cinda HK.

  As at 31 December 2018, 2019 and 2020 and 30 June 2021, the balance of bonds issued by the Group amounted to RMB283,115.1 million, RMB304,849.6 million, RMB355,777.5 million and RMB380,668.5 million, respectively.

- Equity financing:

  - *Introduction of Strategic Investors*: In March 2012, we introduced four strategic investors, i.e. NCSSF, UBS Group, CITIC Capital and Standard Chartered Bank and have received strategic investment totalling RMB10.37 billion.

  - *Initial public offering*: In December 2013, our shares were listed on the Hong Kong Stock Exchange and we became the first Chinese AMC that successfully accessed to the capital market.

  - *Issuance of new H shares*: In December 2016, we issued 1,907,845,112 new H shares to COSCO SHIPPING Financial Holdings Co., Limited for an aggregate consideration of RMB5,494.6 million (equivalent to approximately HK$6,147.3 million). The net proceeds were used to replenish our core tier 1 capital and support our business development.

- Innovative financing:

  - We will continue to focus on the issuance of asset-back securities, expand direct financing channels and increase the percentage of standardised financing.

    We also reduce reliance for on-balance borrowing by integrating trust plans, asset management plans, wealth management products and funds into our funds from other financing channels and used for investment in our projects.

- Regulatory capital instruments:

  - *Tier 2 Capital Bonds*: In June 2016, we issued tier 2 capital bonds in an aggregate amount of RMB10 billion in the national inter-bank bond market. The Bond is a ten-year fixed rate bond with coupon rate of 3.7% and is conditionally redeemable by the issuer on the last day of the fifth year. The proceeds from the issue of the tier 2 bonds were used in accordance with applicable laws and subject to approvals from regulatory authorities in order to improve our capital adequacy ratio, operating strength, risk resistance and profitability. In June 2021, we redeemed the tier 2 capital bonds issued upon approval of the CBIRC. In November 2020, we issued tier 2 capital bonds in an aggregate amount of RMB8 billion in the national inter-bank bond market. The Bond is a ten-year fixed rate bond with coupon rate of 4.5% and is conditionally redeemable by the issuer on the last day of the fifth year. The issuer has the right to the early redemption of the Bonds at par value in full subject to the approval of the CBIRC. The proceeds from the issuance of the tier 2 capital bonds will be used to replenish the working capital of the Company and increase its excess capital and capital adequacy ratio for promoting the various business development of the Company in accordance with current laws and regulations, approvals granted by regulatory authorities and the relevant requirements of the industrial policy of the PRC.

- *Offshore preference shares*: In September 2016, we issued US$3,200,000,000 4.45% non-cumulative perpetual offshore preference shares in reliance on Regulation S under the Securities Act. The net proceeds were used to replenish our additional tier 1 capital to support business development. In September 2021, we redeemed all offshore preference shares upon approval of the CBIRC.

- *Proposed issuance of onshore undated capital bonds*: The Company considered and approved proposal on the onshore undated capital bonds on its 2020 second extraordinary general meeting held on 22 December 2020, pursuant to which, the Company proposed to issue onshore undated capital bonds of not more than RMB22 billion which are capable of being written. Such issuance proposal has been approved by the CBIRC and PBOC. On 16 August 2021, the Company issued the first tranche of the undated additional tier 1 capital bonds in China's inter-bank bond market of RMB10 billion.

- *Proposed issuance of offshore preference shares*: The Company considered and approved proposal on the non-public issuance of offshore preference shares on its 2021 first extraordinary general meeting, the 2021 first class meeting for domestic shareholders, the 2021 first class meeting for H shareholders and the 2021 first class meeting for existing preference shareholders held on 2 February 2021, pursuant to which, the Company proposed to conduct non-public issuance(s) of not more than RMB180 million (inclusive) preference shares, in a single or multiple series, to raise funds of not more than RMB18 billion (inclusive) or its equivalent in the offshore market.

For more information on our financing strategy for the future, please see "*Description of the Group – Our Strategies*".

BUSINESS NETWORK

As at the date of this Offering Circular, we have 33 Company Branches (including Hefei Operation Support Centre) in 30 provinces, autonomous regions and municipalities in mainland China and 7 subsidiaries as platforms for providing distressed asset management and financial services in mainland China and Hong Kong.

The table below sets out geographic distribution of our Company's business network as at the date of this Offering Circular:

Region	**Branch located**
Overseas	• Including Hong Kong and other overseas regions
Bohai Rim	• Including Beijing, Tianjin, Hebei, and Shandong
Central Region	• Including Shanxi, Henan, Hunan, Hubei, Anhui, Jiangxi, and Hainan
Yangtze River Delta	• Including Shanghai, Jiangsu, and Zhejiang
Pearl River Delta	• Including Guangdong, Shenzhen, and Fujian
Western Region	• Including Chongqing, Sichuan, Guizhou, Yunnan, Shaanxi, Guangxi, Gansu, Qinghai, Xinjiang, Ningxia, and Inner Mongolia
Northeastern Region	• Including Liaoning, Jilin, and Heilongjiang

CORPORATE GOVERNANCE

We are committed to improving corporate governance and enhancing brand image. The Company continuously improved its corporate governance by exploring and optimising corporate governance model, refining governance structure and mechanism. The governance structure, including the general shareholders' meeting, the board of directors, the board of supervisors and the senior management, was further optimised to ensure clear division of rights and responsibilities, well-coordinated operation and effective checks and balances. Corporate governance rules were amended and improved in accordance with regulatory requirements and business development needs in a timely manner. External governance mechanism was fully capitalised, the demands of stakeholders were highly emphasised and the legitimate rights of shareholders were safeguarded. Moreover, the Company has been continuously improving the quality of information disclosure, enhancing operation and management transparency, and actively exploring voluntary information disclosure. Maintenance and management of investor relationship were highly valued. We strengthened the two-way communication with investors by the publication of annual results, non-deal roadshows and daily reception of investors. We listen to the investors' suggestions and opinions and help to fully understand our value.

In 2020, the Company was awarded the "Stars of China Awards – Best Corporate Governance Bank" by *Global Finance Magazine*, the "China Top 100 Enterprises Award" by the *20th China Listed Company Top 100 Summit Forum*, the "Best Company of Investor Relations in Listed Companies" of *China Securities Golden Bauhinia Awards*, the "Most Socially Responsible Listed Companies" of *Golden Qilin H-Share Value List*, the "Best Practice Case Award in Social Responsibilities" of *China Banking Association*, the "Case of Influential Brand Communication of the Year 2020" of *China Financial Brand Influence Summit*, as well as the "Prize for Case of Brand Communication for the Year" of the *Annual Brand Case Competition of China Finance*. These awards fully demonstrated that we are well recognised by the industry for our level of governance and due operation.

INFORMATION TECHNOLOGY

We highly recognise the importance of information technology and believe information technology is a key component to support our business growth and internal controls.

Information Technology Governance

We have established an advanced information technology governance framework with our information technology committee established at the senior management level to coordinate and supervise our informationalisation development. At our Head Office, our Information Technology Department is responsible for planning the informationalisation of our Group as well as the research and development, operation and maintenance of our Company's information technology system. Every subsidiary has either its own information technology department or designated individuals in charge of the development, operation and maintenance of such subsidiary's professional systems. We have developed an information security and information technology service management system in order to manage our relationships with clients.

Informationalisation Plans

In 2020, we successfully completed the conclusion of the 2016-2020 informationisation planning, achieving a comprehensive coverage of business and internal management. We completed the formulation of the 2021-2025 informationisation planning and put forward the target of "Digital Cinda". We launched a comprehensive Group data governance plan and information security construction plan and carried out risk assessment and information technology management system optimisation. We continued to improve the information technology systems and passed the annual audits of ISO20000 and ISO27001 management systems, etc.

Information Technology Infrastructure

In addition to the computer centres for Cinda Securities and First State Cinda Fund built in Hefei, we have established the Cinda Data Centre in Beijing to support the operational system of the Group. We have developed a backbone network covering our Company and the first-tier subsidiaries and utilised both physical and logical techniques to separate internal risks. The Company and its major subsidiaries have established the remote disaster recovery backup and have been devoted to ensure our efficient emergency response and restoration capabilities through regular drills and trainings.

In 2020, we achieved remarkable results in information system construction. We started the construction of new core systems and completed the launch of a number of new systems, including the fund transaction system and the value-added tax management system. We continued to optimise and improve key systems such as the group customer relationship management platform, principal business system, big data platform and the group financial sharing platform. We promoted and integrated the risk management system and completed the improvement and optimisation of the business audit system, anti-money laundering system and connected transaction system. We implemented the artificial intelligence technologies such as natural language understanding and intelligent graph.

The information system operated safely and stably and the availability of key systems reached 99.99%. We achieved the phased goal of remote disaster recovery construction by greatly improving the disaster recovery capability of information system and the guarantee capability of business continuity, achieving the leading level of the industry. We completed the construction of enterprise command centre and improved the command capability of emergency.

Information Systems

We have established several information systems with respect to the Company's sharing applications and the applications for the core businesses of the Company and its subsidiaries.

- The Group's financial consolidation system: collects data from the fund accounting platform and external data, issues the Group's consolidated financial statements and realises the automatic preparation of the Group's financial statements, notes and risk disclosure statements.

- Capital accounting platform: comprises of business modules such as traditional bad debt, restructuring, financial investment and long-term equity modules, which are connected with the business system to realise the accounting information management platform of industrial finance integration.

- Online office platform system: covers intranet portal, document circulation, Ctrip business travel, other daily office modules and corresponding mobile services, and provides a unified entrance to other information systems.

- Non-performing asset business management system: manages the non-performing asset business in its whole life cycle, and controls the whole process from project initiation, acquisition and adjustment, asset account establishment, daily management to asset disposal.

- Reorganisation business management system: realises the whole process management to the life cycle of the reorganisation project, including project initiation, due diligence, programming, signing, fund application, cash return, disposal, repayment plan change and follow-up management, etc.

- Business reviewing system: the system realises the online approval and archiving of business schemes through docking with non-performing assets business management system, reorganisation business management system and electronic archives system.

- Securities information system: supports the trading and marketing of securities and mutual funds, investment banking, and asset management businesses.

- Other information systems: support our financial leasing, trust, real estate and other businesses.

Capabilities of Information Technology Research and Development, Operation and Maintenance

We have the capabilities to conduct the information system's overall planning, demand analysis, structural design, software quality control, system deployment and operation maintenance. Through our continuous improvement of application development operation maintenance and outsourcing management process, we have improved our software's quality and enhanced the system's operational stability. The asset management system developed by us was awarded the "Second Prize of Banking Technology Development Award" by the PBOC.

Information Technology Risk Management

Our information technology risk management is an integral part of our risk management system. Please see "*Description of the Group – Risk Management*" in this Offering Circular.

COMPETITION

We face competition in our main businesses from other AMCs and other financial institutions in China.

At present, we primarily compete with the other national and local AMCs in distressed asset management as well as with other financial institutions, such as banks, securities companies, futures companies, trust companies, financial leasing companies and fund management companies in certain sectors. We compete with other asset management companies and financial institutions primarily in product and service offerings, service quality, pricing, operational network and scope, investment management capabilities, financial strength, information technology system, team capability and brand recognition.

For our distressed asset management business, we primarily compete with the other AMCs in China in terms of, among others, product and service offerings, service quality, pricing, expertise and financial strength. Our primary competitors include national AMCs such as Huarong, Great Wall, Orient and Galaxy, as well as local AMCs.

The Five AMCs, including us, possess advantages in terms of capital, licences, channels, experience and talent, and have been the market leaders. We are the first AMC qualified to acquire NFE Distressed Assets. On 5 March 2020, CBIRC approved the application of Jiantou CITIC Asset Management Co., Ltd. (建投中信資產管理有限責任公司) to transform into China Galaxy Asset Management Co., Ltd. (中國銀河資產管理有限責任公司), which increased the number of state-controlled AMCs to five for the first time since 1999. As at the end of 2019, there were 58 local AMCs approved by the CBIRC to conduct distressed asset business. In addition, the industry started to grant provincial-level AMC licence to foreign enterprises. On 17 February 2020, the Beijing Municipal Financial Supervision Bureau announced that Oaktree (Beijing) Investment Management Co., Ltd., a wholly-owned subsidiary of Oaktree Capital, a world famous investment management company, has completed registration with the Beijing Administration for Industry and Commerce. The participants in China's distressed asset industry are becoming more and more diversified.

For our financial services business, we primarily compete with securities companies, futures companies, trust companies, financial leasing companies, fund management companies and insurance companies in, among others, products and services, service quality, pricing, operation network and scope, financial strength and brand recognition. The Four AMCs, including us, have developed business platforms that incorporate financial subsidiaries involved in the securities, futures, trust, financial leasing, mutual fund and banking businesses in order to generate synergy among business segments and enhance financial capabilities and provide customers with comprehensive financial services.

For further details, please see "*Risk Factors – Risks Relating to the Financial Industry in China – We face intense competition in the PRC financial industry and our business could be materially and adversely affected if we are unable to compete effectively*" in this Offering Circular.

In such a competitive environment, we intend to continue optimising our business structure and implementing strategic initiatives in order to distinguish ourselves within our industry as well as effectively address competition in the PRC asset management industry.

EMPLOYEES

As at 30 June 2021, the Group had 12,783 employees (excluding those employed through labour dispatch agency), of which 10,934 were in Mainland China and 1,849 were in Hong Kong and Macao. In the Company and its tier-one subsidiaries (head offices), employees with master's degree or above and employees with bachelor's degree or above accounted for 60% and 92% of the total number of employees, respectively.

We believe the competence and loyalty of our employees are vital to our sustainable growth. We have adopted a market-oriented performance assessment and incentive system, under which compensation is linked to employee's performance. Performance assessment systems provide the basis for human resources related decisions such as compensation adjustment, bonus distribution, promotion, talent development and employee incentives. We are gradually developing a compensation culture based on employees' position, competence and performance. We provide various benefits to our employees, such as basic pension insurance, basic medical insurance, employment injury insurance, unemployment insurance, maternity insurance and housing provident fund, in accordance with the relevant laws and regulations of the PRC. We also provide supplementary medical insurance for employees and have established a corporate annuity plan in which employees can participate.

We provide a diverse range of trainings to our employees, including orientation for new hires, professional skill training, qualification training and professional technology management training to improve employees' professional skills and provide them with diversified career paths in order to better attract and retain talent. We have various training types, including remote video training, on-site training, domestic and overseas study, general trainings and targeted trainings. We combine various content and training types to provide tailor-made and effective trainings.

INTELLECTUAL PROPERTY RIGHTS

We operate our business under "信達," "Cinda," "" and certain other brand names and logos. As at 30 June 2021, Cinda has registered 638 trademarks in the PRC, including 612 trademarks registered in mainland China and 26 trademarks registered in Hong Kong. As at 30 June 2021, we were not aware of any material incidents of intellectual property rights infringement claims or litigation initiated by others against us or *vice versa* for the three years between 1 January 2018 and 31 December 2020 and for the six months between 1 January 2021 and 30 June 2021.

LEGAL AND REGULATORY PROCEEDINGS

Overview

We may be involved in legal and/or regulatory proceedings or disputes in our ordinary course of business. As at the date of this Offering Circular, we were not aware of any legal and/or regulatory proceedings or disputes that, in the opinion of our management, would have a material adverse effect on our business, financial condition, results of operations or prospects.

Qualifications

As at 30 June 2021, we had complied with the applicable regulatory requirements of the PRC in all material respects. We have also obtained all material qualifications and permits necessary for our operations in accordance with PRC laws and regulations.

As required by the HKMA and SFC, certain of our Hong Kong subsidiaries are required to obtain licences to operate in Hong Kong. As at 30 June 2021, such subsidiaries had complied with relevant regulatory requirements in Hong Kong in all material aspects and had obtained all necessary licences as required by Hong Kong laws and regulations.

Litigations and Arbitrations

As at 31 December 2018, 2019 and 2020 and 30 June 2021, the claim amounts of pending litigation of which the Group was defendant were RMB2,243.7 million, RMB2,473.8 million, RMB1,974.1 million and RMB1,627.4 million, respectively; and the provisions we made for known and pending litigations were RMB136.3 million, RMB54.9 million, RMB9.4 million and RMB12.1 million, respectively.

Administrative Proceedings and Penalties

As at 30 June 2021, we were not aware of any material ongoing inspection on or investigation against us. For the three years between 1 January 2018 and 31 December 2020 and for the six months between 1 January 2021 and 30 June 2021, none of our directors was involved in any material administrative violations or proceeding.

RISK MANAGEMENT

OVERVIEW

We regard risk management as a cornerstone and a core focus of our management and business operation and have developed a comprehensive risk management system covering all business segments of the Group. We will continue to attach importance to consolidating risk management and control in the Group's work, adhered to the risk management concept of "protecting the bottom-line by managing risks proactively" and facilitate the development of a comprehensive risk management system.

- The six guiding principles of our comprehensive risk management are: (i) consistency: to ensure the consistency of risk management and strategic development targets by establishing and enhancing a comprehensive risk management system; (ii) appropriateness: the comprehensive risk management system should match the conditions of our risks and make changes to adapt to the conditions; (iii) comprehensiveness: the comprehensive risk management system should cover all business lines, all Company Branches and subsidiaries, affiliates, departments, positions and personnel, all types of risks and mutual influence between different risks and cover all processes from decision-making to execution and supervision; (iv) independence: to establish an independent comprehensive risk management organisation structure, give each line of risk management line sufficient authorisation, human resources and other resources, establish a scientific and reasonable reporting channel and form a balanced operating mechanism with business lines; (v) effectiveness: apply the results of comprehensive risk management to business management, evaluate the adequacy of capital and liquidity according to the risk conditions, market conditions and conditions of macroeconomy in order to effectively resist the overall risks and various risks we are under; and (vi) optimisation: to continuously review and assess changes in the competitive landscape and the internal and external business environments, as well as their impacts on our risk management, so as to continuously adjust and optimise our risk management policies, mechanisms and procedures.

- Our risk management system is based on a combination of external and internal regulations: the primary external regulations are the "Basic Guidelines for Internal Control of Enterprises" (企業內部控制基本規範) jointly promulgated by the MOF, the CSRC, the NAO, the former CBRC and the former CIRC in 2008, the "Provisional Regulatory Guidelines for Supervision of AMCs on a Financial Statements Consolidation Basis" (金融資產管理公司併表監管指引(試行)), promulgated by the former CBRC in 2011, the "Measures for Internal Control of Financial Asset Management Companies" (金融資產管理公司內部控制辦法) jointly promulgated by the MOF and the former CBRC in 2005 and the "Measures for the Regulation of Financial Asset Management Companies" (金融資產管理公司監管辦法) jointly promulgated by the former CBRC, the MOF and other regulators in 2014. Using these external regulations as base and considering the special features of our business, we have established internal regulations and policies to provide specific operational guidelines for our operations and staff. These include the "Provisional Measures for Risk Management" (公司風險管理暫行辦法), the "Regulatory Procedures for Overall Risk Management" (全面風險管理規程), the "Procedures for Debt Asset Management" (債權資產管理規程), the "Procedures for Equity Asset Management" (股權資產管理規程), the "Operational Procedures for Assets Acquisition Business" (附重組條件類業務操作規程) the "Implementing Rules for the Management of Distressed Assets from Non-financial Enterprises" (非金融機構不良資產業務管理實施細則), Guidelines on the Post-acquisition Management of Restructured Distressed Assets (附重組類業務後續管理操作指南), Procedures for Management of Asset Management Business (資產管理業務管理規程) and Procedures for Management of Investment Business (投資業務管理規程). At the beginning of 2021, we formulated and issued the risk management policy of the Group for 2021, requiring to maintain a robust risk preference, strive to control risk exposure, improve business quality and pursue balanced development of efficiency, quality and scale. All business activities should be effectively implemented within the framework of risk appetite and at an acceptable risk level, and major risks faced by the Company should be effectively identified, measured, reported and monitored. The Company should improve the forward-looking risk management to balance business scale, operating income and risk-taking, and firmly keep the bottom line of eliminating systemic risks. In addition, based on the regulatory requirements and internal management needs, we have formulated the Unified Customer Credit Management Measures (客戶統一授信管理辦法), Interim Management Measures of Risk Deposit for Project Managers (項目管理人員風險抵押金管理暫行辦法), and revised the Internal Credit Risk Rating Management Measures (信用風險內部評級管理辦法) and other risk management systems to provide effective guidance for routine risk management. To effectively manage our operational risk, we have also established an internal control system complying with the standards of IS09001, and an information security management system and information technology service management system complying with the standards of IS020000 and IS027001.

- Our risk appetite: at the beginning of 2021, the Risk Appetite Statement of the Group (2021) (中國信達集團風險偏好陳述書(2021年)) was formally issued and implemented upon the approval of the board of directors and subject to its supervision in implementation. In the first half of 2021, we continued to attach importance to consolidating risk management and control in the Group's work, overcame the difficulties and challenges from the prevention and control of the pandemic and the resumption of work and production. We adhered to the risk management concept of "protecting the bottom-line by managing risks proactively" and steadily facilitated the development of a comprehensive risk management system. The Group further strengthened the risk appetite transmission mechanism, provided guidance and discipline on the Group's risk management policies, continued to strictly control newly emerged risks and eliminate existing risks, consolidated routine risk management and maintained the overall stability of asset quality. The effectiveness of the Group's comprehensive risk monitoring was further enhanced, the informatisation of risk management was improved and the effectiveness of the Group's risk management was further promoted.

  Our overall risk appetite statement: in the course of business, we are devoted to strategically control risk profile, streamline risk sequence, prevent and control risk exposure, maintain a stable risk appetite and constantly pursue a balanced development of efficiency, quality and scale. The Company attaches importance to the alignment of business scale, operating income and risk exposure and will not pursue higher profits at the expense of falling below the bottom line of risks. We strive to maintain the stability and sustainability of profitability at an acceptable risk level to ensure an endogenous capital growth and to comply with the required capital adequacy and maintain a stable external rating. We 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 achieve the maximisation of the risk-adjusted returns within the planned risk tolerance.

RISK MANAGEMENT FRAMEWORK

Our risk management framework is based on our corporate governance structure with "Four Levels" and "Three Lines of Defence". "Four Levels" include (i) the board of directors and board of supervisors level, (ii) senior management level, (iii) the risk management department and relevant functional departments at the Head Office level, and (iv) our subsidiaries and Company Branches level; and "Three Lines of Defence" include (i) the business operation departments of the Head Office, Company Branches and subsidiaries as the first line of defence; (ii) the functional risk management departments of the Head Office, Company Branches and subsidiaries as the second line of defence; and (iii) the functional internal audit departments or special audit positions as the third line of defence.

The "Four Levels" of Our Risk Management Framework

The Board of Directors and Board of Supervisors

The board of directors assumes ultimate responsibility for our risk management, internal control and overall compliance. The Risk Management Committee under the board of directors supervises and evaluates the Group's risk management, the Audit Committee supervises the Group's internal controls and internal audit and the Connected Transaction Control Committee supervises connected transactions.

The board of supervisors supervises the risk management function of the board of directors under our overall corporate governance framework. Specifically, the board of supervisors supervises the fulfilment of responsibilities by relevant departments and personnel, reviews and assesses the major risks we face and makes risk management suggestions and proposals accordingly.

The senior management

Our senior management, including the Chief Risk Officer, assumes specific responsibilities of comprehensive risk management in accordance with the authorisation of the board of directors and is accountable to the board of directors for the overall effectiveness of our risk management.

We also set up a risk management committee of the senior management, consisting of the relevant leaders of the Company and the relevant department heads at the Head Office. The committee is mainly responsible for thoroughly implementing and organising the implementation of the Company's risk management targets, policies and risk preference established by the board of directors and considering and determining the material matters in relation to the risk management of the Company.

Functional risk management departments at the Head Office

We have established a risk management department at the Head Office (the "**Risk Management Department**") to perform specific functions related to our overall risk management and established an internal audit department at the Head Office (the "**Internal Audit Department**") to supervise and evaluate the effectiveness of our risk management. In addition, various other functional risk management departments at the Head Office also assume risk management responsibilities according to the nature and features of their respective businesses.

The subsidiaries and Company Branches

We have established risk management departments at our six first-tier subsidiaries and independent risk management departments at our Company Branches. Our risk management departments at our subsidiaries and Company Branches (collectively, "**RM Departments**") are responsible for the coordination of routine risk management at our subsidiaries and Company Branches respectively, and are subject to the management, inspection and supervision of the Risk Management Department with respect to their risk management functions. The board of directors at our subsidiaries assume the ultimate responsibilities for risk management at their respective subsidiaries and the general manager or president of each subsidiary is held fully responsible for risk management at that subsidiary. The general managers at the Company Branches are held fully responsible for risk management. In addition, each subsidiary and Company Branch designates one member of its senior management to be responsible for specific risk management work at that subsidiary or Company Branch. Since 2019, we have further strengthened the independence, professionalism and capability of risk management of our subsidiaries by setting up risk (compliance) directors in certain subsidiaries to perform their duties. By regularly carrying out performance assessment on the responsible personnel in charge of risk management of our branches and subsidiaries and the responsible personnel in charge of the risk management department, we continuously improved the efficiency of our risk management. As a step forward, we also carried on our progress in developing a dedicated risk management team and strived to continuously improve the performance and competence of all Group personnel involving in risk management through training program, qualification verification, job rotation and expertise tests.

The "Three Lines of Defence" of Our Risk Management

First line of defence

The business operation departments at the Head Office, Company Branches and our subsidiaries who identify, assess, assess, handle and report all relevant risks at the front end of our businesses and who assume primary responsibility for the respective risks involved in their businesses.

Second line of defence

The functional risk management departments at the Head Office, Company Branches and subsidiaries who formulate risk management policies, mechanisms and procedures and propose plans and measures to handle risks.

Third line of defence

The internal audit departments or special audit positions at the Head Office, Company Branches and subsidiaries who audit and supervise risk management processes, as well as conduct various risk control protocols.

ORGANISATIONAL STRUCTURE OF RISK MANAGEMENT

Our risk management organisations primarily consist of: (i) the board of directors and its Risk Management Committee, Audit Committee and Connected Transaction Control Committee; (ii) the board of supervisors; (iii) our senior management; (iv) the Risk Management Department and other functional risk management departments at the Head Office; and (v) the Subsidiary RM Departments at our subsidiaries and Branch RM Departments at the Company Branches.

Board of Directors

The principal responsibilities of our board of directors with respect to risk management include formulating our fundamental risk management policies, as well as reviewing the Group's risk management reports. The board of directors may delegate some of these responsibilities to the Risk Management Committee.

Risk Management Committee of the Board of Directors

The principal responsibilities of the Risk Management Committee include:

- reviewing our risk management strategies and policies in light of our overall strategies and monitoring their implementation and overall effectiveness;

- to continuously monitor the effectiveness of the risk management and internal control systems of the Company to ensure compliance with the provisions regarding the risk management and internal control under the CG Code and Corporate Governance Report; to review the effectiveness of risk management and internal control systems at least once a year;

- reviewing the Group's risk management reports and overseeing the structure, organisation, working processes and overall effectiveness of our risk management departments; evaluating the risk management profile of the Group and making recommendations on improving our risk management and reporting to the board of directors accordingly;

- supervising risk management by senior management with respect to credit, market and operational risks; and

- formulating and revising the Group's compliance policies, evaluating and supervising the Group's compliance and making recommendations to the board of directors accordingly.

As at the date of this Offering Circular, the Risk Management Committee of the Board consists of Mr. He Jieping, Mr. Zhang Weidong, Mr. Wang Shaoshuang, Mr. Zhang Guoqing and Mr. Lu Zhengfei. For further details concerning the biographies of the above committee members, see "*Directors, Supervisors and Senior Management*".

Audit Committee of the Board of Directors

The Audit Committee's primarily responsibilities include:

- Reviewing the Group's significant accounting policies and their implementation and supervising the Group's operation from a financial perspective;

- reviewing the Group's financial information and its disclosure;

- reviewing and approving the Group's internal control plans and evaluating and supervising the Group's internal controls and risk management;

- reviewing and approving our audit budget, remuneration of internal audit personnel and the appointment and removal of internal audit officers; monitoring and evaluating the Group's internal audit; formulating mid- to long-term audit plans and annual audit plans of the Group, devising internal audit system of the Group and making recommendations to the board of directors;

- proposing the engagement or replacement of the Group's external auditor, monitoring the external auditor's work, reviewing the external auditor's reports and ensuring the external auditor is accountable for its work;

- coordinating communication between the internal audit department and the external auditor, as well as supervising their working relationships;

- supervising improper practices in the Group's financial reporting and internal controls; and
- evaluating 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) were sufficient.

As at the date of this Offering Circular, the Audit Committee of the Board consists of Mr. Lu Zhengfei, Mr. He Jieping, Mr. Sun Baowen and Mr. Lam Chi Kuen. For further details concerning the biographies of the above committee members, see "*Directors, Supervisors and Senior Management*".

Connected Transaction Control Committee of the Board of Directors

The Connected Transaction Control Committee's primarily responsibilities include:

- identifying connected persons;
- reviewing basic management rules for connected transaction;
- conducting preliminary review on connected transactions which are subject to the approvals of the board of directors or shareholders' general meetings; and
- maintaining records of connected transactions.

As at the date of this Offering Circular, the Connected Transaction Control Committee of the Board consists of Mr. Zhu Wuxiang, Ms. Zhang Yuxiang and Mr. Lu Zhengfei. For further details concerning the biographies of the above committee members, see "*Directors, Supervisors and Senior Management*".

Board of Supervisors

As an important part of our corporate governance structure, the board of supervisors supervises the fulfilment of responsibilities of relevant departments and personnel, reviews and assesses the major risks we face and submits risk management suggestions and proposals accordingly.

Senior Management

As the highest execution body responsible for managing the Group's risk, our senior management is responsible for establishing a comprehensive risk management system, including formulating, reviewing and monitoring the implementation of risk management strategies and internal control mechanisms and approving specific business processes and systemic documents such as implementation rules so as to keep overall risks within limits acceptable to the Company. Furthermore, our senior management arranges the implementation of risk monitoring and assessment so as to understand the risk position and risk management capabilities of the Group on a timely basis; it formulates risk management strategies, devises and implements significant risk management solution plans and monitors risks on a daily basis. Our senior management is also responsible for ensuring that the appropriate resources, such as sufficient organisational arrangements, human and material resources, as well as technical assistance, are put into place for risk management, so as to effectively identify, measure, monitor, alert of and control the various risks we face. Finally, our senior management is also responsible for establishing a risk management information system, promoting a risk management culture, conducting research and submitting comprehensive risk management reports to the board of directors, as well as reporting on the status and development of significant risks in a timely manner. Our President, as the chief officer of our business operations, has overall responsibility for the senior management's fulfilment of risk management duties.

We have established the Chief Risk Officer as a dedicated position among our senior management that assists our President with daily risk management. Our Chief Risk Officer reports regularly to the Risk Management Committee and is subject to the committee's supervision. The Chief Risk Officer is primarily responsible for (i) supervising and coordinating our overall risk management as well as coordinating the formulation and monitoring the execution of risk management strategies, procedures and internal control processes; (ii) coordinating the implementation of risk monitoring and assessment and formulating significant risk management solution plans; (iii) coordinating and guiding the development of the risk management information system and promoting of a risk management culture by risk management departments and coordinating risk management research and the submission of relevant reports; and (iv) performing other relevant responsibilities as authorised by the president.

As at the date of this Offering Circular, our Chief Risk Officer is Mr. Luo Zhenhong. Mr. Luo received his bachelor of law degree, master of law degree and master of EMBA degree from Peking University. Mr. Luo has more than 29 years of experience in legal & compliance. For more details of Mr. Luo's biography, see "*Directors, Supervisors and Senior Management*".

Risk Management Committee of the Senior Management

The risk management committee consists of the relevant management of the Company and the relevant department heads at the Head Office and is mainly responsible for thoroughly implementing and organising the implementation of the Company's risk management targets, policies and risk preference established by the board of directors, and considering and determining material matters in relation to risk management.

Risk Management Department and Other Functional Risk Management Departments at the Head Office

Our Risk Management Department reports to senior management and supports the Risk Management Committee. It is authorised to participate in or be present at meetings of the Company's strategic, business, investment and other professional committees. The Risk Management Department is primarily responsible for (i) coordinating the establishment of a comprehensive risk management system, evaluating the effectiveness of our comprehensive risk management system and proposing improvement plans; (ii) overseeing the implementation of comprehensive risk management by Company Branches and subsidiaries as well as their formulation and implementation of significant risk management response plans; (iii) coordinating the Company's and the Group's compilation of risk management reports; (iv) screening the qualifications of candidates for officers at our RM Departments; and (v) providing systematic risk management training to employees and promoting the establishment and maintenance of our comprehensive risk management information system.

In addition to the Risk Management Department, other departments such as the legal department and compliance department, business review and finance and budget departments at our Head Office also perform risk management functions in their respective business areas and constitute important components of our overall risk management system.

RM Departments

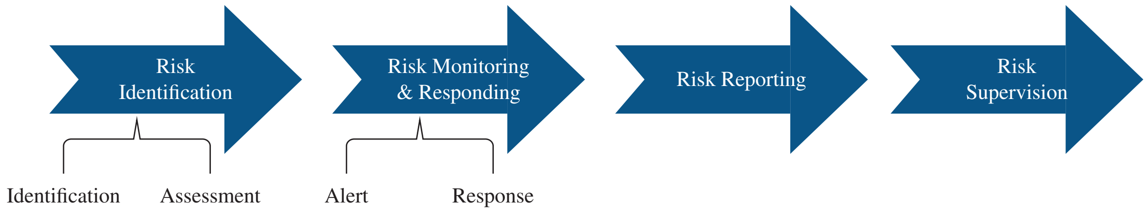
We have established a risk management department at each subsidiary, or appointed a department to fulfil risk management functions when there is not a stand-alone risk management department, whose primary responsibilities include: (i) formulating the risk management policies and procedures for the subsidiary based on the Group's requirements and respective industry regulatory requirements; (ii) coordinating the collection and evaluation of risk management information at the subsidiary; (iii) submitting risk management reports to the Group on a regular basis; (iv) issuing timely warnings on significant risks that may arise during the course of the subsidiary's business and proposing solutions to assist relevant business departments; (v) reporting risk monitoring information on a regular basis as well as monitoring the significant risks that may arise during the course of the subsidiary's business and reporting them in a timely manner; and (vi) conducting risk management self-evaluation and providing risk management advice to the senior management of the subsidiary.

We have established independent risk management departments at each Company Branch. The responsibilities of these departments primarily include: executing the Group's risk management policies and procedures at the Company Branch level; coordinating the Company Branch's collection and evaluation of risk management information; submitting risk management reports to our Head Office on a regular basis; submitting regular reports on risk monitoring information, as well as monitoring all significant risks that may arise in the course of the Company Branch's business and making timely reports; conducting self-evaluations of the Company Branch's risk management, and providing risk management advice to the senior management of the Company Branch.

RM Departments report to the senior management of the subsidiaries and Company Branches, respectively, and to the Risk Management Department, so that the senior management of both (i) the subsidiaries and Company Branches and (ii) the Group can be made aware of risk management issues of the subsidiaries and Company Branches on a timely basis.

RISK MANAGEMENT PROCEDURES

Our basic risk management procedures are as indicated below:



The purposes and major contents of the aforementioned risk management procedures are:

- *Risk identification*: this procedure primarily includes identifying and assessing risks. Through this procedure, we determine if there are any risks related to our business lines, products, key business procedures and critical operations, as well as the type of risks identified. We integrate risk assessment with risk identification, which enables us to quantify uncertain threats or losses, so as to determine the extent of our exposure to any potential risks as well as whether said risks are acceptable to us.

- *Risk monitoring and responding*: this procedure primarily includes risk alerting and risk responding. Based on the result of risk identification and assessment, we issue internal risk alerts when any business risk status deviates from pre-determined risk warning benchmarks. Risk responding refers to the formulation of risk prevention and response plans, such as risk assumption, avoidance, mitigation or transfer, after any risk and its impact have been identified in the course of our operations and which are based on the nature of such risk and our risk appetite.

- *Risk reporting*: risks are reported on both a regular and *ad hoc* basis. Regular reports primarily include risk information reports, risk analysis reports and risk management reports (applicable to the Head Office only), which are for the purposes of regular risk reporting and risk summary. *Ad hoc* reports include significant risk events reports and special risk subject reports, which are for the purposes of reporting significant risks and special risk events.

- *Risk supervision*: we supervise risk management through the board of supervisors, the board of directors, internal audit departments and risk management departments so as to assign accountability for risk management to specific individuals and departments.

Risk Identification

Our risk identification procedure possesses the following features:

- relevant functional departments and business units are required to identify various risks arising from our operating activities from different perspectives;

- taking into consideration both internal and external factors: internal factors include those relating to corporate governance, organisational structure, management and technology, while external factors include those relating to the economy, nature and society;

- selecting appropriate techniques and methods that in line with the nature of the relevant and its scale and complexity: these typically include the flow chart method, organisation chart analysis method and on-site inspections;

- comprehensive risk identification covering the whole Group on a yearly basis: we require each functional department and business unit to conduct an overall risk identification each year and, when there are any changes in the nature of the risks or if any new risks emerge, to conduct risk identification in a timely manner; and

- industry-specific risk identification: we require each of our subsidiaries to identify risks for each of their business lines in accordance with the characteristics of their respective industries.

Risk Assessment

Our risk assessment procedure includes original and remaining risk assessments: original risk refers to the risk we are exposed to without taking any responsive measures, while remaining risk refers to the risk we are exposed to after taking risk response and control measures. In addition, we assess risks based on their likelihood and impact: likelihood refers to the probability of a risk's occurrence within a specified period, while impact refers to any impacts caused by a particular risk on our financial condition, reputation, supervision and business operation. Each of our functional departments and the Group's business units conducts a risk evaluation every year. The Risk Management Department is responsible for coordinating and providing the necessary guidance, including assessment techniques and methods, for such yearly evaluations, as well as gathering and processing the assessment results of each functional department and business unit so as to form an overall profile of our risk management. In addition, in the event that we encounter or expect to encounter a significant risk, we will undertake risk assessment on a timely basis.

Our primary risk assessment methods include:

- correlation analysis: during the process of risk assessment, we conduct a correlation analysis for each type of risk to identify potential correlations among different risks, such as natural hedging effects between different risks, as well as the positive and negative correlations of different risks' occurrence, so as to produce a coherent assessment of all risks;

- financial consolidation: in addition to risk classification and assessment in accordance with the regulatory requirements of the various industries in which we operate, we assess the following risks from a financial consolidation perspective at the Group level: market risk, credit risk, operational risk, liquidity risk, capital inadequacy risk, connected transaction risk, concentration risk, compliance risk and reputation risk;

- combined application of qualitative and quantitative assessments: we typically use qualitative assessment methods such as surveys, group discussions, consultations with experts, policy analysis, scenario analysis, industry benchmark comparisons, management interviews and research based on investigations; we typically use quantitative assessment methods such as statistical analysis, computer simulations, internal ratings, historical scenario analysis, financial statement analysis, sensitivity analysis and event tree analysis. We typically apply qualitative assessment to operational risk, connected transaction risk, compliance risk and reputation risk so as to accurately analyse the causes, characteristics and consequences of such risks; we typically apply quantitative assessment to credit risk, market risk, liquidity risk and capital inadequacy risk.

Risk Alert

The Risk Management Department is responsible for coordinating the tracking of key risk indicators by our business departments, Company Branches and subsidiaries, analysing, determining as well as forecasting the trends of significant risks and establishing a risk warning indicator system based on risk assessments. Each of our functional departments and business units monitors key risk indicators, determines and forecasts changes in each risk indicator, analyses the progress of each risk and regularly reports the status of their respective risk monitoring to the relevant risk management departments.

The Risk Management Department or the RM Departments should alert relevant risks to the related departments and personnel under the following circumstances:

- it is found during risk assessment that significant risks have arisen or risk potential exists at the Head Office level, the Company Branches or subsidiaries as a result of changes in external market conditions;

- a potential material loss may occur in a single product or investment project;

- there are signs of a relevant risk indicator's deterioration in a risk assessment lasting for more than six consecutive months;

- the overall risk assessment results of a Company Branch or subsidiary exceeds certain standards; or

- other circumstances under which the risk management departments regard it necessary to alert for relevant risks.

Risk Response

Our risk response plan outlines the specific objectives we shall achieve in addressing particular risks, the management and business procedures involved, the necessary conditions and resources required, the specific measures to be undertaken, as well as the risk response tools to apply. The risk response plan for the Group level is proposed by relevant business departments, reviewed by the Risk Management Department and approved by the Chief Risk Officer and the senior management in charge of the relevant business departments prior to its implementation; the risk response plans of our subsidiaries and Company Branches are proposed by their relevant departments or business units, reviewed by the respective RM Departments and approved for implementation by the relevant senior management of the subsidiaries and Company Branches.

Our main risk response tools include:

- *Assumption*: when a risk is within our risk appetite, we assume that risk and will not take any measures in response to its likelihood or possible impacts;

- *Avoidance*: when a risk exceeds our risk appetite, we will withdraw from the business activities that lead to such a risk in order to avoid it;

- *Mitigation*: when the loss frequency or the extent of impacts arising from a particular risk can be reduced, we take risk mitigation measures; and

- *Transfer*: we use risk transfer techniques or tools to transfer part or all of a risk to an independent third party in order to prevent catastrophic losses.

Our equity investments measured are fair value primarily include (i) equity investments in Listed DES Assets and (ii) equity investments in other listed companies. We manage the value of these equity investments by making reference to our acquisition costs:

- We entrust our subsidiary Cinda Securities to manage and dispose part of our equity investments in Listed DES Assets. Cinda Securities provides the Company with specific advice on market risk management with respect to such investments, including the price level or range for cut-loss operations. We determine the cut-loss limit applicable to a particular Listed DES Assets project by considering the advice made by Cinda Securities, and by taking into account our acquisition costs, potential strategic value of the investments, and the nature and characteristics of each investment. As a result, the cut-loss limit for each investment project varies significantly due to the differences in acquisition costs, investment size and conditions of the industries in which the investment companies operate.

- The Company will directly or indirectly acquire equities of listed companies in the secondary market through certain subsidiaries or Company Branches and will also obtain equities of listed companies from debt restructurings and other distressed debt asset management businesses.

  (a) We do not set forth cut-loss limits for equities of listed companies acquired by the Company from debt restructurings and other distressed debt asset management businesses because our acquisition costs are typically lower than the market prices;

  (b) We further divide equities of listed companies acquired in the secondary market by our subsidiaries or Company Branches into financial investments and strategic investments:

  For financial investments, we determine cut-loss limits on both an individual-equity basis and all-equities basis. For a particular equity investment, our cut-loss limit is typically 5% to 20% of our investments costs and the specific limit is determined based on our investment size and costs in that equity; we also set forth overall cut-loss limits for all of our financial investments in equities and will close our positions when the aggregate losses reach a certain level; and

  For strategic investments, we do not set forth specific cut-loss limits because typically the investees are listed companies with sound financial performance and we hold their equities for dividend and capital gain purposes.

As of the date of this Offering Circular, we have not formulated and implemented Group-wide hedging policies due to regulatory restrains and the limited availability of proper financial instruments in China. We, however, have closely followed and studied the hedging options we may have and closely communicated with relevant regulatory authorities. We may formulate and implement hedging policies suitable for our business at a proper time in the future. The lack of hedging policies has not caused any material and adverse impact on our management of investment risks.

Risk Reporting

Our risk reporting system involves regular and *ad hoc* reports. Regular reports refer to periodic reports and summaries of the risks we face. *Ad hoc* reports refer to reports on significant risks as well as special risk management subjects.

Regular reports are usually collected and summarised by the RM Departments and are reported to the Risk Management Department. Specifically, the regular reports primarily include:

- *Monthly reports*: Our subsidiaries and Company Branches will submit their respective risk information reports to the Risk Management Department on a monthly basis;

- *Quarterly reports and annual reports*: Our subsidiaries and Company Branches will submit their respective risk analysis reports and risk assessment reports, classification of risks associated to assets reports, concentration reports, connected transactions reports and intra-Group transactions reports to the Risk Management Department on a quarterly basis. The Risk Management Department will then compile Risk and Compliance Information Report, Group Risk Management Report, Connected Transaction Management Report and Intra-Group Transaction Management Report on a regular basis and submit such reports to the management, the Risk Management Committee and the Connected Transaction Control Committee under the board of directors, respectively.

We attach great importance to the reporting and handling of significant risks and have established an *ad hoc* reporting system with the following primary features:

- *Coverage of significant risks*: occurrence of a material deficit, significant impairment and other losses, audit reports with adverse opinions, qualified opinions or disclaimers of opinion issued by our external auditors, material legal disputes with possible losses above RMB50 million and any other events that may have a material adverse effect on us.

- *Reporting of and response to significant risks*: any significant risk, upon its occurrence, shall be reported immediately to our senior management (including the Chief Risk Officer) and the Risk Management Department; if necessary, a risk response team shall be established under the leadership of the Chief Risk Officer and other relevant senior management to formulate a risk response plan.

- *Post-risk investigation and monitoring*: after handling a significant risk, the relevant departments shall carry out a subsequent investigation into the causes, background and persons responsible for the event and submit an investigation report to the Chief Risk Officer. In addition, the relevant departments shall also ensure that the scale and status of any material risks identified are reported to the board of directors. The department where the material risk event occurs shall then continue to monitor for the relevant risk and report to the Risk Management Department and other relevant departments on a timely basis if any significant changes occur in that risk.

THE GROUP'S MANAGEMENT OF RISKS AT SUBSIDIARIES

The management of risks at our subsidiaries, our financial subsidiaries in particular, is an integral component of the Group's overall risk management. We incorporate the subsidiaries' risk management into the Group's overall risk management framework and aim to improve the efficiency of the synergistic operation of various subsidiaries through our unified risk management at the Group level. The Group primarily manages various risks that subsidiaries face during the course of their respective businesses through the following measures:

- *Risk reporting mechanisms*. The risk management departments at our subsidiaries will submit a risk information report regarding the risks identified during that month, potential risks and all external information that may cause a risk event to the Group's Risk Management Department on a monthly basis. This external information includes information about typical market risk and customer credit risk, as well as emergent risk events.

- *Regular monitoring and evaluation*. Each of our subsidiaries is required to submit risk management self-assessment reports to the Group's Risk Management Department on a quarterly basis, as well as rate their risk management work in accordance with an evaluation benchmark system established by the Group and submit their rating result to the Group for review. The benchmarks in the rating system are devised by considering the characteristics of the different industries our subsidiaries operate in, and cover factors such as industry regulatory requirements, the current status of an industry's development and the Group's development strategies, in addition to typical risk information evaluation benchmarks.

- *Supervision and specific instructions through various means such as on-site inspection, investigation and research, management meetings and risk inspection*. The Risk Management Committee under the board of directors and functional risk management departments at the Group level conduct on-site inspections and investigations of subsidiaries' risk management from time to time. These inspections and investigations enable the Group to learn the details of risk management work at subsidiaries and provide subsidiaries with specific instructions and requirements to their risk monitoring and management from the Group's perspective; they also enable the Group to timely address risk management issues at subsidiaries and take disciplinary actions against relevant personnel. Our Chief Risk Officer also alerts subsidiaries of potential significant risks they may face and provides specific instructions on risk management to our subsidiaries through management meetings.

- *Laying solid ground for risk management at subsidiaries by complying with industry regulatory and compliance requirements*. Our subsidiaries, particularly those in financial industries such as the securities, trust and banking are under the strict regulation by government authorities and industry regulators and are required to comply with a series of regulatory requirements and benchmarks. We regard it as a cornerstone of our risk management to comply with these requirements and benchmarks across our subsidiaries. As a result of the strict requirements by government authorities and industry regulators, the overall risks of our financial subsidiaries are well-controlled.

- *Strengthening the Group's allocation and supervision over the management of risk management talents at subsidiaries*. The Group has directly recommended chief risk officers to certain subsidiaries in order to strengthen the Group's centralised allocation and supervision of risk management talents across all of our subsidiaries. These chief risk officers are supervised by both the general managers (presidents) at subsidiaries and the Chief Risk Officer of the Group, and report to the Chief Risk Officer of the Group on a regular basis. The Risk Management Department reviews and approves the candidates for chief risk officers or officers responsible for risk management at these subsidiaries where the Group does not directly assign chief risk officers in order to ensure the quality and professional experience of these officers.

- *Establishing specific evaluation criteria*. We have established specific criteria for evaluating the subsidiaries' risks in the Group's risk management assessment system. The risk management evaluation information of each subsidiary is included in the overall performance evaluation of that subsidiary after being reviewed by the Risk Management Department, directly affecting the overall performance evaluation result and the remuneration of senior management of each subsidiary.

MANAGEMENT OF PRINCIPAL RISKS

We are exposed to four principal risks: credit risk, market risk, liquidity risk and operational risk.

Management of Credit Risk

General Strategy and Approach of Credit Risk Management

Credit risk refers to the risk of business losses resulting from an obligor or counterparty's failure or unwillingness to timely perform its obligations or the deterioration of its financial condition. Our credit risk is primarily related to our distressed debt asset portfolio, the corporate and personal loans and the fixed-income investment portfolio of our financial subsidiaries, the financial lease receivables of our financial leasing business and other on- and off-balance sheet exposures to credit risk.

The distressed debt assets portfolio has the most significant impact on our overall credit risk profile. In order to manage credit risk related to this portfolio, we have formulated and strictly implemented standardised business management guidelines and an approval process covering all business stages, before, during and after the acquisition and disposal of distressed debt assets. This business management and approval process incorporates three components: (i) counterparty due diligence; (ii) project approval; and (iii) asset acquisition and post-acquisition management. Among these, counterparty due diligence is our most significant frontline defence against credit risk and plays an important role in our credit risk management.

We have standardised the mechanisms and protocols for managing the credit risk involved in our distressed debt assets portfolio and established a comprehensive credit risk management system. In addition, we have formulated a five-tier distressed asset classification system reflecting the characteristics of our business. This system provides us with a standardised basis for the risk identification, risk positioning and provisioning of distressed debt assets.

We manage assets of different risk types on a differentiated basis in order to monitor credit risk more effectively and prompt the obligors to perform their obligations. We also make provisions for assets of different risk types on a differentiated basis.

Specific Procedures and Measures for Credit Risk Management

(1) Our primary procedures and measures to manage credit risk involved in our distressed debt assets portfolio include due diligence, acquisition plan approval, asset acquisition and post-acquisition management.

Due diligence

We conduct comprehensive and multi-perspective due diligence on our counterparties focusing mainly on their credit worthiness, analysis on the overall risks involved in industries of the projects and various factors affecting their cash flow and ability to repay indebtedness. We leverage both internal and external expertise to investigate a counterparty's credit rating. If a credible external credit rating is available, we will fully take into account the creditworthiness of a counterparty based on such external credit rating(s); if a credible external credit rating is unavailable, we will make a judgement based on all available internal and external information to assess the credit worthiness of a counterparty.

For the acquisition and disposal of Acquisition-operation Distresses Assets, we sample specific assets contained in a particular asset package according to the package's size. We also classify and manage our Restructured Distressed Assets by evaluating the debtors' and guarantors' ability to perform contracts, debt repayment ability and post-acquisition risks and returns on the basis of considering their qualifications, credit worthiness, financial condition, management sophistication and operational status. We are developing a credit rating system by cooperating with professional credit rating agencies in order to strengthen the monitoring of counterparties based on different risk classifications.

Project approval

The principles by which we approve distressed debt asset acquisitions are "differentiated authorisation and professional decision-making". We have also established a review process for significant acquisition projects.

- "Differentiated authorisation" refers to determining the authority and discretion of the Head Office and each Company Branch in the acquisition and disposal of particular distressed assets based on factors that include asset types, project amounts, potential risks and expected returns. The projects within the authorisation scope of a Company Branch can be approved by its business decision-making committee, while projects beyond the authorisation scope of a Company Branch are approved by the business decision-making committee at the Head Office. The Head Office grant differentiated authorisation to Company Branches. The specific authorisation will be granted by the Head Office by taking into account of the economic development level and resources endowment of the region in which that Company Branch operates, its past business performance and evaluation results and its significant business risk exposures and risk management capabilities as well as the Head Office's overall strategy and approach towards the specific industries to which a project relates. In order to ensure the effectiveness and responsiveness of our authorisation, we review and dynamically adjust the authorisations granted to different Company Branches from time to time. We monitor the out-of-authorisation operations of Company Branches on a real-time basis through the paperless approval process and off-site audit system to oversee all processes involved in a project from approval and execution to closing.

- "Professional decision-making" refers to the establishment of business decision-making committees by the Head Office and each Company Branch to review and collectively vote by professionals in these committees on projects involving the acquisition and disposal of distressed assets within their respective authorisations. The voting results will be reported respectively to the general managers of the Company Branches or the president of the Group for approval. The general managers of the Company Branches and the president of the Group are not authorised to reinstate projects vetoed by the relevant decision-making committees. The business decision-making committees at both the Head Office and Company Branches are typically composed of relevant senior management, senior business managers with extensive distressed asset management and disposal experience, as well as the officers from relevant departments such as the legal department, compliance department and risk management department. We established an "approval specialists" scheme in which we select personnel with extensive distressed asset management and disposal experience to work as full-time members of our business decision-making committees and participate in project approvals.

- For significant projects, we have implemented due diligence review mechanism. For projects with a single acquisition amount above RMB200 million (inclusive), the Head Office will form a special team or appoint profession institution to conduct an independent due diligence review.

Asset acquisition and post-acquisition management

We continue to monitor and analyse the creditworthiness of counterparties after we acquire the relevant assets through methods such as on-site visits, off-site collection and analysis of financial data and other information and the continuous analysis of the effectiveness of risk mitigation tools such as collaterals. When signs of risks occur in a project but the repayment has not yet become overdue, we take precautionary measures in advance to mitigate risks through strengthening the routine management of the assets, closely monitoring the obligor's recent developments and, when necessary, asking the obligors to provide additional collateral and re-arranging repayment plans in order to timely prevent and mitigate risks. For Restructured Distressed Assets, we will visit the obligors and guarantors at least once every quarter based on different risk classifications.

(2) In addition to the measures described above, we have also taken the following measures to manage the credit risk involved in our Restructured Distressed Assets:

Proper design of transaction structure

Leveraging on our vast experience accumulated throughout our operating history of distressed asset disposal and our knowledge of debt restructuring and other mechanisms used in restructuring Traditional Distressed Assets, during the acquisition of distressed assets, we can also enhance protection for creditors' rights by restructuring the repayment term, repayment schedule, collateral and default liabilities on the acquisition of Restructured Distressed Assets and by asking the debtors to confirm their obligations in both the asset acquisition agreement and the debt restructuring agreement. In addition, we also manage potential credit risk of debtors and provide enhanced protection for debt collection through property rights trusts, establishment of regulatory accounts and introduction of third-party joint obligors.

Management of concentration risks

We have established maximum limits on the acquisition amount for group customer and single customer in order to prevent the systemic risks that may arise from high concentration on a single customer; for customers with a high concentration of our investment, we closely track and monitor its business strategies, operational status, financial condition and debt-to-asset ratio in order to timely forecast adverse changes and determine whether or not to continue our business relationships.

Risk mitigation

We attach great importance to managing credit risk through credit mitigation measures, particularly by asking counterparties to provide proper credit risk mitigation instruments such as mortgages, guarantees and pledges. Based on our vast experience in disposal of distressed assets accumulated over the years, we typically put in place proper risk mitigation measures at the outset of a project's acquisition, including notarising the collateral enforcement agreements. This notarisation enables us to apply for judicial enforcement of collateral immediately when significant risks with respect to our rights arise and ensures the satisfaction of our debts through auction of the collateral or repayment in kind. We typically ask the counterparties to provide collateral that can be readily evaluated and monetised in order to promptly and effectively protect our creditors' rights by disposing of such collateral upon default by an obligor. We improve our management of the collateral such as land and other real properties by utilising the professional knowledge and experience of our real estate subsidiary. We typically ask professional external appraisal firms to evaluate the collateral attached to our Restructured Distressed Assets before acquisition. We impose guidelines for the ratio of the amount of receivables to collateral values based on the situation of different clients and projects:

By using the ratios above as a general guideline, we adjust collateral ratios applied to particular projects by considering other factors such as the industry ranking and total assets amount of a given counterparty, the availability of effective fund recovery monitoring mechanisms and the availability of reliable third-party guarantees.

The collaterals for the Restructured Distressed Debt Assets are the primary collaterals involved in our distressed asset management business. We have developed strict procedures for the regular review and investigations of these collaterals, so as to track the changes in their values in a timely manner and respond effectively:

- We request the project teams for our Restructured Distressed Debt Assets projects to visit the debtors or guarantors at least once every quarter to carry out on-site inspections. Through such visits and inspections, the project teams learn of the current conditions of the project, including information such as the status of the collaterals. The project teams are required to fill in standardised information reporting forms and project notes after these visits and inspections and are required to input the information obtained into our due diligence systems. The project teams are also required to report significant changes in collateral value promptly so that appropriate actions can be taken. When they review the conditions of the collaterals, they shall follow our standardised guidelines and review focuses, including:

  (a) whether the collateral providers have taken appropriate actions to protect the collaterals' value, and whether any value reduction has occurred, such as total losses, partial losses or damages;

  (b) whether the collateral providers have used or disposed of the collaterals without our approval, such as leasing, sales, gifting and re-mortgaging;

  (c) whether the market value of the collaterals have changed significantly, causing the collateral coverage ratio to fall below our set standards;

  (d) whether other creditors of the debtor have been prioritised and repaid out of the collaterals in violation of applicable laws or our contractual rights; and

  (e) whether the collateral providers have properly insured the collaterals, made us the first beneficiary of the insurance and agreed we shall hold the insurance policies.

In addition, we evaluate and make impairment tests on our distressed debt assets every half a year. The value of collaterals is an important component of and is reflected in these evaluation and tests. In the case of a significant decrease in collateral value, we may demand the debtors to provide additional or alternative collateral or repay the debts.

Debt assets classification system

We formulated the Implementation Rules on Managing Assets Risks by Classifications (資產風險分類實施細則) to facilitate the Company to strengthen the management of asset quality, comprehensively and accurately identify, monitor and manage asset risks and make reasonable provisions for asset loss reserve. Based on the Implementation Rules, we have established an internal debt assets classification system that reflects the characteristics of our business and we review and make necessary adjustments to the classification criteria regularly:

- *Normal*. A debt asset is classified as "normal" if the obligor is capable to perform the contract and there is no reason to suspect that the principal and interest of the debt will not be repaid in full on time;

- *Concern*. A debt asset is classified as "concern" if the obligor is expected to be capable of repaying the principal and interest of the debt, but there exist certain circumstances that may adversely affect its repayment ability, or if the obligor is facing certain repayment pressure but given the asset security has a high risk coverage and liquidity, no material loss is not expected to be incurred ultimately;

- *Inferior*. A debt asset is classified as "inferior" if the obligor has obvious difficulties in repayment and cannot repay the principal or interest of the debt by solely relying on the cash flow generated from its ordinary business and a loss may be incurred even after the collateral are enforced;

- *Suspected*. A debt asset is classified as "suspected" if the counterparty to the transaction cannot repay the principal and interest in full and a significant loss will definitely be incurred even after the collaterals are enforced; and

- *Loss*. A debt asset is classified as "loss" if no principal and interest can be recovered, or only a very small portion of the principal or interest can be recovered, even after we have taken all available measures or exhausted all legal proceedings.

With respect to assets classified as "inferior," "suspected" and "loss" under our classification system, we review and adjust the quantitative criteria in the classification system above from time to time based on our business development. We believe this tailored system effectively improves our capability to monitor the quality of our debt assets and assists us in managing distressed debt assets on a larger scale.

For assets that have become overdue, we prohibit extending the term of their repayment. Also, we prohibit the reclassification of relevant assets through extending the term of their repayment. With respect to assets classified as "special mention," "alert," "risky" and "loss" under our classification system, we take various measures to reduce risks and potential losses. These measures include (i) transferring the assets as soon as possible; (ii) strengthening management of relevant assets, inspecting the assets more frequently and prompting the obligors to perform their obligations; (iii) disposing of the assets through litigations and enforcing collateral; and (iv) asking the obligors to provide additional collateral.

(3) Our primary procedures and measures to manage credit risk involved in the fixed-income investment portfolios of our financial subsidiaries are: impose limitations on investment product types and the minimum credit rating of counterparties through proper business authorisations, impose total amount and percentage limitations on particular investment product types in asset allocation plans and reduce losses that may arise from default of a particular type of investment product or a particular counterparty through investment diversification. In addition, with respect to the margin financing and securities lending business at our securities subsidiaries, we have also established client selection and follow-on management mechanisms in accordance with external and internal risk management rules and policies, and we continuously optimise the review of clients based on our multi-level credit limit system, real-time monitoring of collateral and mandatory liquidation mechanisms.

(4) Our primary procedures and measures to manage credit risk involved in our financial leasing business are: our financial leasing subsidiary has established Rules on Credit Rating (信用評級管理辦法) and determines the lessor's and guarantor's credit rating based on our internal Form of Enterprise Credit Rating and calculates a particular project's risk level based on the credit rating result and the types of guarantees provided; we have also set forth clear criteria for the minimum credit rating requirement of a lessor and the maximum risk level of a particular project and imposed limitations on the credit rating structure of all lessors and the maximum aggregated risk level of all projects involved in our financial leasing business. In addition, we have published Provisional Rules on Pricing of Financial Leasing Projects (融資租賃業務定價暫行規定) in order to price a particular project by reflecting the credit rating results of the lessor and to ensure we can get a higher level of risk compensation from lessors with lower credit ratings. We involve our financial leasing subsidiary's business departments, legal department, compliance department and risk management department and fully utilise and respect the advice and opinions of professionals in the approval of financial leasing projects to ensure a multi-perspective review of a project and the soundness and effectiveness of the approval process.

(5) We rate client credit, calculate and measure client risk limitation and carry out business rating on project with our internal rating system.

- *Client credit rating*: we forecast, analyse and evaluate the potential risk of default of the clients arising from the change in their repayment ability. The client credit rating is determined based on a combination of quantitative and qualitative analyses, through which the risk of default of a client is comprehensively evaluated by way of quantitative risk evaluation, qualitative risk evaluation, special matter adjustment, etc.

- *Business rating*: we evaluate the specific risks of conducting the relevant business and the rating shows the amount of loss incurred when the client defaults. Specific risk factors include expected asset return level, structure of the repayment, security and ability to mitigate risks, how strong or weak the operating cash flow is, industrial risk and regional risk, etc.

- *Client risk limitation*: the upper cap of transaction between the Company and a client in certain period of time in the future (usually one year), which is determined on the basis of the credit rating and the resources available for repayment of the client. When the client credit rating changes, the client risk limitation changes accordingly. Within the Group, the maximum credit transaction actually made with a client shall not, in principle, exceed such limitation.

Management of Market Risk

Market risk refers to the risk that we may suffer losses due to adverse movements in market prices (such as stock and commodity prices), interest rates and exchange rates. Our market risks primarily arise from interest sensitive assets and liabilities and equities owned by the Group, bond and equity investments owned by our securities subsidiaries as well as interest sensitive assets and liabilities owned by our financial leasing subsidiary.

Market Risk Management of the Company

- With respect to interest-sensitive assets and liabilities held by the Company, we manage risks arising from interest rate fluctuations by strictly controlling the length of the debt restructuring term and strengthening the matching of our liabilities with the terms and interest rate structure of the Restructured Distressed Assets. We also manage interest rate risks through quantitative analysis, including periodic interest rate sensitivity analysis.

- With respect to price risks arising from equities of listed companies owned by the Company, we closely monitor the impacts caused by macroeconomic changes, industry trends and fluctuations in commodity prices on the operations and financial condition of the enterprises in which we own equities and on our equity value and adjust our equity management and disposal strategies accordingly. We also assess our tolerance boundaries in extreme scenarios and explore stress tests on price risks in order to control the price risks within our risk appetite. In addition, we generally mark to market our equities in listed companies and also periodically conduct impairment tests on our equity assets in accordance with accounting policy requirements and record impairments with respect to equity assets classified as available-for-sale financial assets whose prices have been declining for one year or more or whose prices are significantly lower than their book value. Additionally, we seek professional analysis from Cinda Securities with respect to management of the market value of our equities in listed companies and closely monitor market movements.

Market Risk Management at Our Subsidiaries

We have established market risk management systems at our securities and financial leasing subsidiaries in accordance with regulatory requirements and typical industry practices for the market risks that our subsidiaries face. In addition, these subsidiaries report their market risk management to our Risk Management Department on a monthly basis.

Primary measures taken by our securities subsidiary to manage market risks

- Establish a strict investment authorisation system. Our securities subsidiary has established strict controls on investment amounts and risk levels applicable to the proprietary trading of debt and equity securities, which are monitored and alerted by the subsidiary's compliance and risk management department;

- Conduct comprehensive transaction process control. Our securities subsidiary dynamically monitors and analyses relevant risk benchmarks involved in the proprietary business through inspecting and filing of relevant documents and contracts to perform front-end control by way of controlling investment amount limits, bond ratings and concentration levels involved in proprietary bond trading. Our securities subsidiary also assesses and reports relevant risks in accordance with market changes in a timely basis; and

- Assess market risks through quantitative models and instruments. Our securities subsidiary analyses and assesses market risks by establishing the VaR[5] model and by using other instruments and methods such as investment concentration limits, information insulation systems and stress tests.

[5] For a given portfolio, probability and time horizon, VaR is a threshold value such that the probability that the mark-to-market loss on the portfolio over the given time horizon exceeds this value (assuming normal markets and no trading in the portfolio) is the given probability level.

Primary measures taken by our financial leasing subsidiary to manage market risks

- Our financial leasing subsidiaries manage interest rates applicable to the leasing business and the financing interest rate by classification and have formulated respective internal rules according to their business features, including Provisional Rules for Pricing of Leasing Business (租賃業務定價暫行規定), Guidelines on Pricing of Leasing Business (資金管理辦法) and Rules on Administration of Funds (租賃業務定價指導);

- Determine guidance prices for the leasing projects, including benchmark costs and risk premiums. The benchmark costs as the major component will be timely adjusted to reflect the financing cost changes in the financial market;

- When pricing for a specific project, the leasing interest rate for most of the leasing projects will be determined by using the relevant rates released by the PBOC as a reference and will float on that basis. The leasing interest rate will be timely adjusted to reflect changes in the benchmark lending interest rates released by PBOC, and a notice will be delivered to the lessors in order to ensure the accurate recording of relevant debt assets and their timely collection; and

- Our financial leasing subsidiaries also regularly monitor the gaps between the assets and liabilities that are interest-rate sensitive and adjusts their pricing and financing strategies accordingly.

Management of Liquidity Risk

Liquidity risk refers to the risk that, while we remain solvent, we fail to obtain sufficient funds or obtain funds at reasonable cost to either deal with asset growth or repay debts when they fall due. Liquidity risk can be further divided into financing liquidity risk and market liquidity risk. Financing liquidity risk refers to the risk that we may fail to meet our funding requirements without affecting daily operations or financial condition; and market liquidity risk refers to the risk that we may fail to obtain funds by timely disposing of our assets at a reasonable price due to the limited depth of the market or market fluctuations. Our liquidity risk arises primarily from the duration mismatch of assets and liabilities as well as the management of liquidity positions.

We manage our liquidity primarily through monitoring the maturities of assets and liabilities and strictly executing the terms of our project agreements so as to ensure the timely and full recovery of funds. We aim to effectively manage assets turnover and ensure the timely repayment of our debts, particularly those that fall due with one to five years. For equity assets with clear disposal plans, we will try to dispose them effectively in accordance with disposal plans; for equity assets with significant appreciation potential, we will place disposal plans properly, taking consideration of their appreciation potential and due dates of liabilities. In addition, we actively promoting non-public equities to access to the capital markets to increase the overall liquidity of the equity assets we own.

We implement a centralised liquidity management system by pooling Group-wide funds and applying principles of funds transfer pricing. Our Company Branches are provided with funds at our internal prices to meet their funding requirements arising from their distressed asset management and investment businesses; correspondingly, all funds our Company Branches recover in their business shall be submitted and centrally allocated by the Head Office. Through a funds transfer pricing system that reflects our business characteristics, the Head Office provides internal funds to Company Branches by taking into account market rates and features of a particular business. In addition to the individual management of liquidity by each of our subsidiaries, we have also established coordinated fund-raising mechanisms between the Group and the subsidiaries in order to improve the synergy of funds flow within the Group and reduce the overall liquidity risk of the Group.

We also provide sufficient funds for incremental asset acquisitions, financial investments and strategic investments and manage liquidity risk by implementing strict budget management, expanding financing channels and improving fund management. Bank loans are the most important source of our business operation funds. We also address our short-term liquidity needs through short-term borrowings in the inter-bank market. In addition, we attach great importance to diversifying other fund-raising channels. For example, we issued new H Shares with proceeds of approximately RMB5.5 billion and issued RMB10 billion tier 2 capital bonds in the onshore market in 2016 and also issued U.S.$3.2 billion offshore preference shares in 2016, issued RMB8 billion tier 2 capital bonds in the onshore market, proposed to issue onshore undated capital bonds in an amount not exceeding RMB22 billion (the Company issued the first tranche of the undated additional tier 1 capital bonds in China's inter-bank bond market of RMB10 billion on 16 August 2021) and proposed to conduct non-public issuance(s) of not more than 180 million (inclusive) preference shares, in a single or multiple series, to raise funds of not more than RMB18 billion (inclusive) or its equivalent in the offshore market which helped establish innovative financing channels and provided us with liquidity required by our business development. We have also launched a cash management system to further improve our capital allocation efficiency.

In addition, based on the foundation of actively exploring diversified fund-raising channels, we are exploiting the potential inherent in further bank borrowings, conducting liquidity stress tests to improve liquidity management and performing weekly analysis of the inter-bank market to effectively capture fund-raising opportunities and utilising large-scale borrowings to control our fund-raising costs. We have also established operation fund planning mechanisms to improve our ability to plan and predict the funding needs of our business operations.

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. Our operational risk management focuses on strengthening internal controls, enhancing staff training and implementing strict accountability schemes to ensure compliance with relevant policies and processes. In 2020, we revised the Measures for Operational Risk Management, further improved the operational risk identification, assessment, monitoring and reporting processes, and developed a comprehensive management system including risk governance and appetite, risk management and process, risk assessment and evaluation. Based on the specific situation of the Company, we have gradually promoted the establishment and application of the three management tools i.e. operational risk self-assessment, key risk indicators and loss data collection; carried out the assessment of outsourcing risk, strengthened the sense of responsibility, and improved the standardised management of outsourcing business; conducted trouble shooting on internal check and balance mechanisms, formulated a list of incompatible responsibilities for positions in key risk areas, strengthened supervision and balances on positions, and eliminated hidden risks. In the first half of 2021, we continued to improve the system, the quality and efficiency of operational risk management. We gradually promoted the effective use of key risk indicator monitoring and management tools, formulated company and business level monitoring indicators, carried out indicator monitoring and analysis within the Group, and improved the operational risk early warning capacity; improved the forward-looking of the routine management of operational risk through loss data collection; developed Requirements for Work Separation of Incompatible Positions (不相容崗位分離工作要求) to strengthen the practicability and effectiveness of position checks and balances, further improved the standardised management level of internal checks and balances, and effectively prevented operational risks.

In order to control operational risk, we have taken the following key measures:

- We have established a comprehensive internal policy and regulation system covering all business processes.

- We have formulated and established systems and procedures to encourage employees to embrace a proper risk management philosophy and culture and established a penalty and accountability system covering employee misconduct, under which management personnel shall assume responsibility for the misconduct of people they are supervising.

- The legal department and compliance department of the Company and our subsidiaries are responsible for providing legal support and advisory services for our business operation and management, as well as overseeing the status of our compliance with and implementation of applicable laws and regulations as well as our internal policies and procedures.

- We have further implemented an operational checks and balances mechanism among different departments and job positions, as well as a rotation system for key job positions.

- To reduce the operational risk arising from the potential failure of information technology systems, we have established a management system for information security and IT service. We have also formulated an information technology development plan for the Group (the "**Group IT Plan**") covering business application, data management, information infrastructure and information governance, and we have finished a related report. We have advanced the development of relevant IT infrastructure and public application and management systems in accordance with the Group IT Plan. For further details of relevant developments, please see "*Description of the Group*" in this Offering Circular. In 2017, the Company received the ISO 20000: 2005 and ISO 27001: 2005 certificates jointly granted by China Information Security Certification Centre and British Standards Institution and became the first financial institution in China to receive accreditation in both information security management systems and information technology service management by both domestic and foreign certification organisations. We have created data backup for our critical data processing systems and both the Group and our major subsidiaries have established data backup mechanisms in the cities where their headquarters are located. We are now in the process of developing a disaster recovery centre outside of Beijing and a support service centre. We attach great importance to the improvement of our employees' awareness of information security and have organised a number of information security training sessions, which further enhanced our management of IT risk.

- We have established an internal reporting system for non-compliance and implemented the "Risk Reporting System" (風險報告制度), enabling us to report significant events to our Head Office within 24 hours of becoming aware of such events.

INTERNAL CONTROL AND COMPLIANCE

As an integral part of our overall risk management, we attach great importance to internal control and compliance. We have formulated various compliance rules and policies and have taken a number of compliance risk education initiatives to enhance our employees' awareness of compliance. We have established "Three Lines of Defence" management structure of internal control under the management of the board of directors, the board of supervisors level and senior management. In 2020, we further strengthened the management of key areas of internal control and consolidated the foundation of internal control to boost the prudent development of our business operations. In the first half of 2021, we further improved the relevant internal control system and consolidated the foundation of internal control.

Our Internal Control System

We have established an internal control system composed of the regulation system, the benchmark system and the assessment system.

- We have established a complete internal control regulation system reflecting the conditions of our business and operations. We have formulated various internal policies and rules such as the Basic System of Internal Control (內部控制基本制度), Administrative Compliance Procedures (合規工作管理規程), Provisional Rules on Internal Control Assessment (內部控制評價暫行辦法) and Compliance Report Management Measures (合規報告管理辦法). In 2020, we revised the manual on internal control and management according to changes in systems and processes which effectively consolidate the foundation of internal control management. In the first half of 2021, we revised the Basic Regulations for Internal Control (內部控制基本制度) to strengthen the internal control responsibility of all levels and reinforce supervision over each business line, which improved the internal control mechanism for the first line of defence and reinforced the overall quality and efficiency in internal control. We formulated the Measures for Screening Abnormal Behaviours of Employees (員工異常行為排查辦法) to improve the management of staff behaviours and provided management tools to eliminate case risks and prevent financial crimes.

- We have established an effective internal control benchmark system. We comprehensively and systematically compare the current internal control regulations of various units and departments with the requirements of our internal control rules and policies, in order to systematically analyse the internal control profile of the Group and establish and improve our internal control benchmark system.

- We have established an internal control assessment system focusing on execution assessment. We facilitate the improvement of our internal control system by comprehensively reviewing relevant processes against internal control rules and benchmarks and requesting relevant parties to address all the issues identified.

Internal Control Assessment

As an integral part of our internal control system, we conduct an annual Group-wide internal system and engage external intermediaries to conduct audit on the effectiveness of our internal control system of the Group so as to comprehensively review and analyse internal control risks of different business lines and ensure the effectiveness of our internal control system.

- The Audit Department organises and coordinates our annual internal control assessment under the leadership of the board of directors.

- The annual internal control assessment covers all major business lines and management processes of the Head Office, Company Branches and subsidiaries, and assesses the design and operation of our internal control system by focusing on key aspects such as internal environment, risk assessment, internal control activities, information collection and communication and internal supervision.

- We broadly collect evidence on the effectiveness of our internal control system's design and operation as well as analyse and identify internal control deficiencies by using methods and tools such as individual interviews, walk-through tests[6], surveys and comparative analyses.

- For the three years from 1 January 2018 and ended 31 December 2020 and for the six months from 1 January 2021 and ended 30 June 2021, we did not identify any material deficiencies in our internal control system.

Compliance Initiatives

We have adopted the following measures to ensure all of our business operations are in compliance with relevant laws and regulations:

- The legal department and compliance department of the Company and our subsidiaries continuously track the latest developments in relevant laws, regulations and policies, and, after considering our business conditions, timely submit proposals on the formulation and amendments of relevant internal regulations and policies to relevant departments.

- Various departments of our Head Office, Company Branches and subsidiaries formulate their respective business and management regulations and policies in accordance with their respective business conditions, applicable laws, regulations and regulatory requirements, industry practices and self-regulatory codes of conduct, as well as the code of conduct and ethics of the Group.

- The compliance department reviews the compliance of the business operation system to ensure that the Company's system fully reflects the regulatory spirit, does not touch the regulatory red line, and regularly carries out compliance supervision and inspection, and supervises the rectification of problems discovered during inspections in the meantime.

- Our internal audit departments supervise and evaluate the effectiveness of our compliance management.

- We have established a multi-channel compliance risk reporting system and have dedicated staff as contact persons for compliance risk reports.

We have established a strict compliance assessment and accountability mechanism to hold accountable and penalise violators in accordance with relevant regulations and policies strictly.

6 Refers to the method of tracking the processing of a particular transaction in our financial system.

CAPITAL POSITION OF THE COMPANY

CAPITAL

The Company has a comprehensive capital management framework, which covers the management of its capital adequacy ratios, risk weighted assets and leverage ratios. The Company continues to strengthen its capital management and aims to further improve the utilisation of its capital.

Capital Adequacy Ratios

According to the Measures for the Capital Management of Financial Asset Management Companies (Provisional) (Yin Jian Fa [2017] No. 56) (《金融資產管理公司資本管理辦法(試行)》) (銀監發[2017]56號) promulgated by the former CBRC on 26 December 2017 and effective from 1 January 2018. The Company must maintain a core tier-1 capital adequacy ratio of not less than 9 per cent., a tier-1 capital adequacy ratio of not less than 10 per cent. and a capital adequacy ratio of not less than 12.5 per cent.

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

	As at 31 December			As at 30 June
	2018	2019	2020	2021
	(In RMB millions, except percentages)			
Core tier-1 capital adequacy ratio (%)	10.21	11.20	10.66	10.60
Tier-1 capital adequacy ratio (%)	13.49	14.37	13.70	13.67
Capital adequacy ratio (%)	16.01	16.76	17.47	16.01
Net core tier-1 capital	66,375.9	75,335.0	74,490.4	73,658.4
Net tier-1 capital	87,657.2	96,616.3	95,771.6	94,939.6
Net capital	104,035.7	112,695.5	122,125.3	111,239.6
Risk-weighted assets	649,881.2	672,502.1	699,077.1	694,733.2

Working Capital

Paragraph 30 of Appendix 1B of the Hong Kong Listing Rules require this Offering Circular to include a statement confirming that the working capital available to the Group is sufficient for at least the next 12 months from the date of the listing document or, if not, how it is proposed to provide the additional working capital.

The Company confirms that, after due and careful consideration, taking into account the Group's (excluding NCB) internal resources, cash flow from operations and the estimated net proceeds from the issuance of the Offshore Preference Shares, the working capital available to the Group (excluding NCB) is sufficient for the present requirements of the Group (excluding NCB) for at least the next 12 months from the date of this Offering Circular.

The above statement does not take into account the working capital requirement of NCB. NCB is a licensed bank and an authorised institution regulated by the HKMA, and the solvency and capital adequacy of NCB is subject to the prudential supervision of the HKMA. The concept of working capital is not a key indicator of NCB's liquidity or solvency, as its business model does not involve having sufficient cash to purchase goods and converting them into revenue through sales. Hence, providing information on working capital in respect of NCB in this Offering Circular would not provide meaningful information for investors to assess the financial position of NCB.

The information disclosed in this Offering Circular clearly demonstrates that NCB has complied with and remains in compliance with the capital adequacy requirements imposed by HKMA. Accordingly, the Company is of the view that notwithstanding the absence of a working capital sufficiency statement covering NCB, the inclusion of information regarding the NCB's capital adequacy ratios and liquidity ratios as at 31 December 2018, 2019 and 2020 and 30 June 2021 will provide sufficient information for investors to properly assess the financial position of NCB and make informed decisions in connection with the issuance of Offshore Preference Shares.

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2021, the Domestic Shares held by MOF account for 58.00 per cent. of the total issued shares, the Domestic Shares held by NCSSF account for 6.44 per cent. of the total issued shares and H shares held by the holders of H shares account for 35.55 per cent. of total issued shares.

To the knowledge of the Directors of the Company, as at 30 June 2021, the following persons had, or were deemed to have, an interest or short position in the Shares and underlying Shares which have been recorded in the register kept by the Company under the Section 336 of the SFO:

Name of substantial shareholders	Capacity	Number of Shares held directly and indirectly	Class of Share	Nature of interest	Approximate percentage to the total issued class of Shares	Approximate class of shares 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	860,109,632	H Shares	Long position	2.25	6.34
	Interest of controlled corporation	860,294,943	H Shares	Short position	2.25	6.34

Notes:

(1) As per the Corporate Substantial Shareholder Notice filed by China COSCO Shipping Corporation Limited with the Hong Kong Stock Exchange on 30 December 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 owned by China COSCO Shipping Corporation Limited, for the purpose of the 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 held by Oversea Lucky Investment Limited in the Company.

(2) As per the Corporate Substantial Shareholder Notice filed by DBS Group Holdings Ltd with the Hong Kong Stock Exchange on February 3, 2021, DBS Bank Ltd. directly held 860,109,632 H Shares (Long position) and 860,294,943 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 860,109,632 H Shares (Long position) and 860,294,943 H Shares (Short position) in the Company held by DBS Bank Ltd.

DE FACTO CONTROLLER

As at 30 June 2021, the major shareholder and *de facto* controller of the Company remained unchanged. Details of the major shareholder of the Company are as follows:

MOF

The 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.

REDEMPTION OF OFFSHORE PREFERENCE SHARES

The proposal on the redemption of the offshore preference shares issued by the Company in 2016 was considered and approved at the 2021 third meeting of the Board, approving the redemption by the Company of all of the Offshore Preference Shares upon obtaining the approval from the CBIRC and satisfying all relevant redemption conditions. The Company has also received the reply letter from the CBIRC with no objections. Pursuant to the terms and conditions of the offshore preference shares issued in 2016 and the reply letter from the CBIRC, the Company redeemed the aforementioned offshore preference shares in whole on 30 September 2021 at the redemption price, being the aggregate of an amount equal to the issue price (that is, amount of liquidation preference) of each offshore preference shares plus any accrued but unpaid dividends in respect of the period from (and including) the immediately preceding dividend payment date to (but excluding) the redemption date in respect of each offshore preference share. The aggregate redemption price equals to the sum of U.S.$3.2 billion as the aggregate amount of the liquidation preference of the existing offshore preference shares and the dividends to be paid to the holders of the existing offshore preference shares in an amount of U.S.$142.4 million, a total of U.S.$3,342.4 million. Subsequent to the redemption and cancellation of the aforementioned offshore preference shares on the redemption date, there are no offshore preference shares outstanding of the Company. For details, please refer to the relevant announcements published on the Hong Kong Stock Exchange by the Company dated 29 June 2021, 11 August 2021 and 4 October 2021.

GENERAL

As of the date of this Offering Circular, the Company's board of directors is comprised of 12 members. There are two executive directors, six non-executive directors and four independent non-executive directors. The Company's directors are elected at shareholder general meetings for a term of three years. The Company's directors are eligible for re-election upon expiry of their term of office.

As of the date of this Offering Circular, the Company's board of supervisors is comprised of seven members. There is one shareholder representative supervisor, three external supervisors and three employee supervisors. The shareholder representative supervisor and the external supervisors of the Company are elected at shareholder general meetings, and the employee supervisors are elected at employee representative meetings. The term of office of a supervisor shall be calculated from the date on which the resolution is approved by the shareholder's general meetings or the date on which he or she is elected at the employee representatives' general meeting or by other democratic procedures. A supervisor may be re-elected after the expiration of his/her term of office.

As of the date of this Offering Circular, the Company's senior management team is comprised of eight members. The Company's senior management team includes president, vice presidents, assistants to the president, chief financial officer, chief risk officer and board secretary. Other members of senior management perform their duties and take responsibilities, respectively, according to the authorisations from the president.

All Directors, Supervisors and senior management members meet the qualification requirements under PRC laws and regulations for their respective positions.

The board of directors of the Company shall be accountable to the shareholders' general meeting in accordance with the Articles of the Company. The following table sets forth information regarding our Directors:

Name	Position	Gender	Year of birth
Zhang Zi'ai	Chairman of the Board, Executive Director	Male	1961
Zhang Weidong	Executive Director, President	Male	1967
He Jieping	Non-executive Director	Male	1963
Xu Long	Non-executive Director	Male	1966
Wang Shaoshuang	Non-executive Director	Male	1964
Zhang Yuxiang	Non-executive Director	Female	1963
Zhang Guoqing	Non-executive Director	Male	1966
Liu Chong	Non-executive Director	Male	1970
Chen Xiaowu[1]	Non-executive Director	Male	1965
Zhu Wuxiang	Independent Non-executive Director	Male	1965
Sun Baowen	Independent Non-executive Director	Male	1964
Lu Zhengfei	Independent Non-executive Director	Male	1963
Lam Chi Kuen	Independent Non-executive Director	Male	1953

[1] Mr. Chen was nominated as non-executive director of the Company by the Board. As at the date of the Offering Circular, Mr. Chen shall begin to assume office upon the approval by the shareholders' general meeting of the Company and the approval of his qualification as director by the CBIRC.

Our Supervisors are responsible for supervising the board of directors and senior management independently, including supervision on operation and supervision on financial condition, etc. The following table sets forth information regarding our Supervisors:

Name	Position	Gender	Year of birth
Gong Jiande	Chairman of the Board of Supervisors, Shareholder Representative Supervisor	Male	1963
Zhang Zheng	External Supervisor	Male	1972
Zhen Qinggui	External Supervisor	Male	1965
Cai Xiaoqiang.	External Supervisor	Male	1961
Gong Hongbing	Employee Supervisor	Female	1966
Lu Baoxing	Employee Supervisor	Male	1966
Yuan Liangming	Employee Supervisor	Male	1965

The senior management team is the execution body of the Company and shall be accountable to the Board of Directors. The following table sets forth information regarding our senior management:

Name	Position	Gender	Year of birth
Zhang Weidong.	President	Male	1967
Liu Ligeng	Vice President	Male	1965
Hu Jiliang	Vice President	Male	1964
Zhao Limin	Vice President	Male	1969
Li Hongjiang	Vice President	Male	1969
Luo Zhenhong	Chief Risk Officer	Male	1965
Ai Jiuchao	Board Secretary	Male	1967
Yang Yingxun	Chief Financial Officer	Male	1973

The business address for all of our Directors, Supervisors and senior management is No. 1 Building, 9 Naoshikou Street, Xicheng District, Beijing, the PRC.

BIOGRAPHIES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Directors

Zhang Zi'ai, Chairman of the Board and Executive Director

Mr. Zhang has been an Executive Director and the Chairman of the Board since August 2018. Mr. Zhang successively held various positions in BOC from January 1980 to May 2000, including the Deputy Head and Head of the Foreign Trading Credit Section of the Guangzhou branch, Deputy Head of the Renminbi Credit Division of the Guangdong branch, Senior Manager of the Operation Department of the Hong Kong and Macau Office, Deputy General Manager of the Zhongshan branch and Head of the Credit Division, Director of the Office, and Deputy General Manager of the Guangdong branch. From June 2000 to October 2016, Mr. Zhang successively served as Secretary to the Party Committee and General Manager of the Guangzhou Office of China Orient Asset Management Corporation, member of the Party Committee and Vice President, Deputy Secretary to the Party Committee and the President of China Orient Asset Management Corporation. From May 2008 to May 2010, he also served as Secretary to the Party Committee and Chairman of Dongxing Securities Co., Ltd. Mr. Zhang served as the Deputy Secretary to the Party Committee, the Vice Chairman, Executive Director and President of China Orient Asset Management Co., Ltd. from October 2016 to May 2018. Mr. Zhang has become Secretary to the Party Committee of the Company since May 2018. Mr. Zhang graduated from South China Normal University in 1985 with an undergraduate degree and Asia International Open University (Macao) in 2002 with a master's degree in Business Administration. He holds a professional title of Senior Economist.

Zhang Weidong, Executive Director, President

Mr. Zhang has been the Executive Director and President of the Company since January 2020. He worked in CCB 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 Reorganisation 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 Centre 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 has been serving as the Deputy Secretary of the Party Committee of the Company since October 2019. He also has been serving as the Non-executive Director and Chairman of NCB Hong Kong since November 2020. Mr. Zhang graduated from Tongji University in 1989 with a bachelor's degree in Engineering and graduated from Renmin University of China in 1992 with a master's degree in Economics. He holds the professional title of Senior Economist.

He Jieping, Non-executive Director

Mr. He has been a Non-executive Director of the Company since July 2018. He served successively as the Editorial Cadre, Assistant Editor, Deputy Director and Director of the Finance Editorial Department of China State Finance Magazine from August 1985 to May 2001. From February 1995 to February 1996, he practiced as the Deputy County Chief of Kazuo County, Chaoyang City, Liaoning Province. He held various positions successively with China State Finance Magazine from May 2001 to July 2018, including Deputy Chief Editor (deputy-department level), Chief Editor (department level) and deputy Secretary of the Party Committee. Mr. He graduated from the Department of Finance of Hubei College of Finance and Economics (currently known as Zhongnan University of Economics and Law) in 1985 with a bachelor's degree in Economics. He has a professional title of Deputy Editor.

Xu Long, Non-executive Director

Mr. Xu has been a Non-executive Director of the Company since July 2018. He served successively as the cadre and assistant researcher of Regional Finance Department under the Finance Science Institute of the MOF from August 1991 to October 1994. From October 1994 to June 2000, he served successively as the cadre and principal staff of the Infrastructure Department of the MOF. He held various positions with the MOF. From June 2000 to August 2013, including deputy director of the Project Investment Division, department secretary (deputy director level) and department secretary (director level) of the Economic Development Department, director of Environment and Resources Division, director of General Division and deputy department-level cadre. From August 2013 to July 2018, he served as deputy head of the Tariff Department of the MOF. From October 1991 to October 1992, he practiced in the Finance Bureau of Mouzhong County, Henan Province and during the period from July 2010 to August 2013, he served as a member of Party Group and Deputy Head of Department of Finance of Qinghai Province. Mr. Xu obtained a master's degree and a doctoral degree in economics, majoring in finance, from the Graduate School of the Finance Science Institute of the MOF in 1991 and 2004, respectively. He has a professional title of Deputy Researcher.

Wang Shaoshuang, Non-executive Director

Mr. Wang has been a Non-executive Director of the Company since November 2020. From August 1989 to June 2010, Mr. Wang successively served as a cadre of Human Resources Department of MOF, a staff of Technology Department of Chinese Abacus Arithmetic Association, as well as several positions of MOF, such as the staff and senior staff of Research Division and the principal staff of Government Procurement Division of Budget Department, the principal staff, research assistant and deputy director of Government Procurement Division and the deputy director and researcher of Government Procurement Management Division of Treasury Department, and the researcher and director of Government Procurement Management Division II of Treasury Department (Treasury Payment Centre). From June 2010 to September 2015, he consecutively served as the chief accountant (deputy-department level) and deputy director of the Treasury Payment Centre under MOF. Since September 2015, he has been serving as the deputy director of Treasury Department of MOF and first-class inspector of treasury department of MOF. 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.

Zhang Yuxiang, Non-executive Director

Mr. Zhang has been a Non-executive Director of the Company since August 2020. From August 1984 to October 1997, she successively served as a cadre and staff under Offshore Oil Tax Administration of Administration of Taxation of the Ministry of Finance, 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 ("**STA**"), including the assistant investigator of the Foreign Tax Administration Department, the assistant investigator of the Anti-Tax-Avoidance Division of the International Taxation Department, and several positions of Financial Department, such as the assistant investigator of the Equipment Division, the deputy director and the director of the General Affairs Division, the director of the Capital Construction Management Division, and the director of the Asset Management Division. From November 2015 to August 2020, she has been serving as the deputy director (deputy-department level) of the Logistics Centre under the STA. 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. Ms. Zhang holds the professional title of Economist.

Zhang Guoqing, Non-executive Director

Mr. Zhang has been a Non-executive Director of the Company since April 2017. Mr. Zhang had served as the teaching assistant, lecturer and associate professor of the Social Science Department of Jiangxi University of Traditional Chinese Medicine from July 1990 to September 2000, and as the cadre of the Regulation and Supervision Department, the Assistant Consultant of the Division of Regulation and the Director of the Domestic Compliance Division of the NCSSF from November 2003 to April 2017. He graduated from the Jiangxi University (currently known as Nanchang University) with a bachelor's degree in 1987 and the Zhengzhou University with a master's degree in History in 1990. In 2003, he graduated from the China University of Political Science and Law with a doctor's degree in Law.

Liu Chong, Non-executive Director

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

Chen Xiaowu, Non-executive Director

Mr. Chen consecutively served as the cadre and senior staff of the department of education under the MOF, the principal staff in, and the department secretary (deputy director level) and department secretary (director level) of general affairs division in the department of personnel and education under MOF from August 1987 to September 2002. 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 directors (deputy-department level) of the tariff policy research centre and fiscal notes supervision centre under the MOF. Since January 2021, he has been serving as the deputy director and first-class inspector of fiscal notes supervision centre under the MOF. Mr. Chen graduated from the accounting major under Financial Accounting Department of Jiangxi College of Finance and Economics (currently known as Jiangxi University of Finance and Economics) in 1987 with a bachelor's degree in Economics and graduated from the University of South Australia in 2005 with a master's degree in business administration. Mr. Chen holds the professional title of Accounting.

Zhu Wuxiang, Independent Non-executive Director

Mr. Zhu has been an Independent Non-executive Director of the Company since October 2016. He is a Professor of the Department of Finance of Tsinghua University School of Economics and Management, a PhD tutor and the Director of Business Model Innovation Research Centre of School of Economics and Management of Tsinghua University. Mr. Zhu has successively served as a teaching assistant, lecturer, associate professor and professor of Tsinghua University School of Economics and Management since January 1990. He has also been a Standing Director of China Society for Finance and Banking and a committee member of the second session of Expert Advisory Committee for Merger, Acquisition and Restructuring under the China Securities Regulatory Commission. Mr. Zhu currently serves as an independent director of Pylon Technologies, Co. Ltd., an independent non-executive director of Beijing Properties (Holdings) Limited, an independent director of Visual China Group Co., Ltd., a supervisor of the Unisplendour Co., Ltd., and an external supervisor of the Everbright Securities Company Limited. Mr. Zhu was an independent director of the China Fortune Land Development Co., Ltd. and an independent non-executive Director of the ZTE Corporation. Mr. Zhu graduated from the Tsinghua University in 1987, 1989 and 2002 with a bachelor's degree in Engineering, a master's degree in Engineering and a doctor's degree in Economics, respectively.

Sun Baowen, Independent Non-executive Director

Mr. Sun has been an Independent Non-executive Director of the Company since October 2016. He is a professor and PhD tutor of the Central University of Finance and Economics. He is also entitled to the special government allowances of the State Council. Mr. Sun was a lecturer of the Central University of Finance and Economics from January 1989 to October 1997 and an Associate Professor of Central University of Finance and Economics from October 1997 to October 2003, and as a professor and PhD tutor of the Central University of Finance and Economics since October 2003. Mr. Sun is currently a professor of China Internet Economy Research Centre of Central University of Finance and Economics, Chief Expert of Capital Research Base for Internet and Economic Development in Key Research Base for Philosophy and Social Science in Beijing, Deputy Director of Steering Committee of Professional E-commerce Education under the Ministry of Education, member of National Expert Committee for Accessible Construction and Executive Director of the China Disability Research Society. He is currently serving as an independent director of AVIC Fund Management Co., Ltd., independent director of Bank of Jining Co., Ltd., an independent director of Shenyang Rural Commercial Bank Co., Ltd., an independent director of Yonghui Superstores Co., Ltd. and an independent director of North Navigation Control Technology Co., Ltd. Mr. Sun was an independent director of Tianshui Zhongxing Bio-Technology Co., Ltd., and an independent director of the Dareway Software Co., Ltd. Mr. Sun received a bachelor's degree and a master's degree in Engineering from the Northeastern University in 1986 and 1989, respectively, and a doctor's degree in Economics from the Central University of Finance and Economics in 2004.

Lu Zhengfei, Independent Non-executive Director

Mr. Lu has been an Independent Non-executive Director of the Company since September 2019. He is currently a Professor of Accounting and PhD tutor of Guanghua School of Management of Peking University, the Director of the Research Centre for Financial Analysis and Financial Investment of Peking University, and concurrently an Executive Director of Chinese Accounting Association and the Deputy Director of the Professional Committee for Financial Management, a member of the Editorial Committees of Accounting Research and Auditing Research. He was elected into the "Accountant Specialist Training Project" (first batch) of the Ministry of Finance in 2013, and as a Cheung Kong Scholars Chair Professor of the Ministry of Education in 2014. From 1994 to 1999, Mr. Lu served as the head of the Accounting Department of the Business School of Nanjing University. From 2001 to 2015, he successively served as the head of the Accounting Department and Vice President of Guanghua School of Management, Peking University. Mr. Lu is currently an independent non-executive director of Sino Biopharmaceutical Limited, and independent supervisor of PICC Property and Casualty Company Limited. Mr. Lu previously served as the independent non-executive director of BOC, China Nuclear Engineering Corporation Limited and Sinotrans 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 doctor's degree in Economics.

Mr. Lam Chi Kuen, Independent Non-executive Director

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

Supervisors

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

Mr. Gong has been the Chairman of the Board of Supervisors and the Shareholder Representative Supervisor of the Company since February 2015. Mr. Gong served as the Secretary to General Office, Deputy Secretary and Secretary of Department level to the State Ethnic Affairs Commission of the PRC from August 1995 to October 2000. He also served as the Department Cadre, Research Consultant, Deputy Director and Director of the Organisation Department of the CPC Financial Work Committee from October 2000 to July 2003. He was the secretary to the Discipline Supervisory Committee of the Headquarters (Deputy Director level), the Chairman of the Labor Union of the Headquarters (in the grade of Deputy Director), the member of Discipline Supervisory Committee (during which he worked for the CPC Financial Inspection Group), General Deputy Secretary to the Party Committee of the Headquarters (Director level) for the CBRC, member of the Informatisation Panel and Head of the Government Procurement Office of the CBRC, Vice Chairman of the Research Institute of Party Construction of the Central Government Authorities and Deputy Director of the Chamber of Financial Street from July 2003 to September 2014. He has served as the Deputy Secretary of the Party Committee of the Company since September 2014. Mr. Gong graduated from the Party School of the Central Committee of the CPC, majoring in Economic Management in 1996, and graduated from the postgraduate program of the Party School of the Central Committee of CPC in 2007.

Zhang Zheng, External Supervisor

Mr. Zhang has been an External Supervisor of the Company since June 2016. He is a Professor, PhD tutor and vice president of Finance of the Guanghua School of Management of Peking University. Mr. Zhang currently serves as an Independent Director of Harbin Bank Co., Ltd. and CCB Trust Co., Ltd. He received the 2014 "Sun Yefang Financial Innovation Award" – Paper Award (with the co-author), the 2014 Taishin Holdings Excellent Paper Award, the Peking University Excellent Teaching Award (2013-2014 Academic Year), the Chinese Finance Annual Meeting Distinguished Service Award (2013), the Fourth Li Yining Teaching Excellence Award (2010), the Tenth Beijing Philosophy and the Social Science Excellent Achievements Award and Doctor's Dissertation Award of Peking University. Mr. Zhang graduated from the Department of Mathematics of Nankai University with a bachelor's degree in Science in 1995 and a master's degree in Science in 1998 and graduated from Peking University with a doctor's degree in Economics in 2005.

Zhen Qinggui, External Supervisor

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

Cai Xiaoqiang, External Supervisor

Mr. Cai has been an External Supervisor of the Company since August 2021. Mr. Cai currently serves as the Presidential Chair Professor and Associate Vice President of The Chinese University of Hong Kong, Shenzhen, the Vice President of Shenzhen Research Institute of Big Data and the director of Smart City, Transportation and Logistics Big Data Laboratory thereof, and the director of Shenzhen Key Laboratory of IoT Intelligent System and Wireless Network Technology. Mr. Cai is the Academician of the International Academy for Systems and Cybernetic Sciences, a special expert of the National Major Talent Program, a recipient of the Outstanding Young Scientist Award (Overseas Category), a leading talent of the Guangdong Pearl River Scholar, the Class A talent of the Peacock Plan of Shenzhen, and a Fellow of the Hong Kong Institute of Engineers. He received the Distinguished Professor Award from the International Society of Industrial Engineering and Operations Management in 2021. He graduated from Harbin Ship Engineering Institute with a bachelor's degree in automatic control in 1982, graduated from Tsinghua University with a master's degree in control theory in 1985, graduated from Tsinghua University with a doctorate in system engineering in 1988, and conducted postdoctoral researches at the University of Cambridge and the Queen's University of Belfast, UK from 1989 to 1991.

Gong Hongbing, Employee Supervisor

Ms. Gong has been an Employee Supervisor of the Company since July 2014. From August 1988 to August 1999, Ms. Gong consecutively served at the Personnel Department of Yantai Branch and the Personnel Division of Shandong Branch of CCB. 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 organisation department of the Party Committee of the Company and the general manager of human resources of the Company. Ms. Gong graduated from the Harbin Senior Finance College (currently known as Harbin Finance University) majoring in Bank Management in 1988 and graduated from the Shandong Branch of the Party School of the Central Committee of CPC majoring in Economics and Management in 2002. She obtained a master's degree in Business Administration from the Beijing Jiaotong University in 2008. She holds the professional title of Senior Political Engineer.

Lu Baoxing, Employee Supervisor

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

Yuan Liangming, Employee Supervisor

Mr. Yuan has been an Employee Supervisor of the Company since August 2019. From July 1988 to May 1999, Mr. Yuan consecutively served as the Associate Chief Officer and Chief Officer of Hubei Branch of CCB. 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 doctor's degree in Economics. Mr. Yuan holds the professional title of Senior Economist.

Senior Management

Mr. Zhang Weidong, President

Please see "– *Directors*".

Liu Ligeng, Vice President

Mr. Liu has been serving as the Vice President of the Company since June 2015. From July 1988 to September 2003, Mr. Liu had served as an Officer and Deputy Head of the Education Division, Human Resources Division, and Human Resources and Staff Training Division of the 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 Director of the Labor Union of the Company. Mr. Liu served as a member of the Party Committee of the Company since January 2014. He graduated from Beijing Normal University in 1988 with a bachelor's degree in Education and obtained a Diploma (equivalent to graduate degree) from Hunan College of Finance and Economics (currently known as Hunan University) in 1998. He holds the professional title of Economist.

Hu Jiliang, Vice President

Mr. Hu has been serving as the Vice President of the Company since March 2020. He was employed by the 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 deputy manager of Quzhou Trust Investment Company, the director of the Infrastructure Construction Office and the director of the Planning Loan Section of Quzhou Branch, the general manager of Zhejiang Industrial and Commercial Real Estate Company, the deputy general manager (in charge) of the Asset Management Department and 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 Reorganisation 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, the vice chairman and the chairman of the board of directors of China Huarong Financial Leasing Co., Ltd. He has served as the member of the Party Committee of the Company since December 2019. Mr. Hu graduated from Hangzhou Cadre's Institute of Finance and Management majoring in Banking Management in 1997 and graduated from The University of Hong Kong with an MBA degree in August 2003. He holds the professional title of Senior Economist.

Zhao Limin, Vice President

Mr. Zhao has been serving as the Vice President of the Company since May 2021. He worked in CCB 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, the General Manager of Cinda Investment and the Assistant to President. He has been serving as a member of the Party Committee of the Company since December 2020, and serving as the director and chairman of Cinda Real Estate since December 2020. Mr. Zhao obtained a bachelor's degree in Economics from Liaoning University in 1993. He holds the professional title of Senior Economist.

Li Hongjiang, Vice President

Mr. Li has been serving as the Vice President of the Company since 20 May 2021. He worked in CCB 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 headquarters and the Assistant to President. He has been serving as a member of the Party Committee of the Company since December 2020 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 degree in Economics from Dongbei University of Finance and Economics in 1992, 1999 and 2001 respectively. He holds the professional title of Senior Economist.

Luo Zhenhong, Chief Risk Officer

Mr. Luo has been serving as the Chief Risk Officer of the Company since October 2013. From July 1988 to April 1999, Mr. Luo held various positions in CCB. Mr. Luo joined the Company in April 1999 and served as the Deputy General Manager and the General Manager of Legal Department, the General Manager of the Legal and Compliance Department of the Company. From October 2008 to November 2012, Mr. Luo served as the Vice President of the Banking Law Division of China Law Society and has served as the Vice President of China Banking Law Society since November 2012. Mr. Luo graduated from Peking University with a bachelor's degree in Law in 1988, a master's degree in Law in 2002, and an EMBA degree in 2012.

Ai Jiuchao, Board Secretary

Mr. Ai has been serving as the Board Secretary of the Company since April 2016. He held various positions in China National Coal Allocation Corporation, the Ministry of Coal Industry and the National Coal Industry Bureau from June 1989 to September 2000. Mr. Ai joined the Company in September 2000. He served as the Deputy Head and Deputy Head (at the grade of Director) of the Chief Executive Office, the General Manager of the Compliance Management Department and the head of the Board Office. In addition, he has also served as the General Manager of Strategic Development Department and the Director of the Financial Risk Research Centre. He has been serving as the Director and Chairman of Cinda Securities since November 2020. Mr. Ai graduated from the China University of Mining and Technology and obtained a bachelor's degree in Engineering in 1989. He had also obtained a bachelor's degree in Economics from Renmin University of China in 1996 and an EMBA degree from China University of Mining and Technology in 2002. He holds the professional title of Senior Economist.

Yang Yingxun, Chief Financial Officer

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

DISCLOSURE OF INTERESTS

Directors', Supervisors' and Chief Executive Officer's Interests and Short Positions in Shares and Underlying Shares of The Company

As at 30 June 2021, none of the Directors, Supervisors and chief executive officer of the Company 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 SFO) as recorded in the register kept by the Company pursuant to Section 352 of the SFO or as otherwise notified to the Company and Hong Kong Stock Exchange pursuant to Appendix 10 Model Code for Securities Transactions by Directors of Listed Companies to the Hong Kong Listing Rules.

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

For the year ended 31 December 2020, none of the Directors and Supervisors of the Company (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.

As of 31 December 2020, none of the Directors and Supervisors of the Company 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).

Interests of Directors in Business Competing with the Company

For the year ended 31 December 2020, none of the Directors of the Company held any interest in business which directly or indirectly competed or was likely to compete with the business of the Company.

Material Contracts with Controlling Shareholders

For the year ended 31 December 2020, 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.

Management Contracts

For the year ended 31 December 2020, the Company did not enter into any management contracts with respect to the entire or primary business of the Company.

TAXATION AND FOREIGN EXCHANGE

TAXATION

The taxation of income and capital gains of Offshore Preference Shareholders is subject to the laws and practices of the PRC and of jurisdictions in which Offshore Preference Shareholders are resident or otherwise subject to tax. The following summary of certain relevant taxation provisions is based on current law and practice, is subject to change and does not constitute legal or tax advice. The discussion does not deal with all possible tax consequences relating to an investment in the Offshore Preference Shares. Accordingly, prospective investors should consult their own tax advisers regarding the tax consequences of an investment in the Offshore Preference Shares. The discussion is based upon laws and relevant interpretations in effect as of the date of this Offering Circular, all of which are subject to change. The Company shall not be responsible or liable for the tax status or tax treatment of H-share shareholders, any claim or any dispute over the withholding mechanism or arrangement caused by the failure to determine or accurately determine the tax status or tax treatment of H-share shareholders in time.

THE PRC

Currently there is no specific tax law on Offshore Preference Shares in the PRC. Certain PRC tax provisions relating to ordinary H shares held by investors as capital assets and their ownership and disposal are summarised below. This summary does not purport to address all material tax consequences of the ownership of Offshore Preference Shares and does not take into account the specific circumstances of any particular investors. This summary is based on various PRC tax laws as in effect as of the date of this Offering Circular, as well as on the double tax avoidance agreements or treaties, all of which are subject to change (or changes in interpretation), possibly with retroactive effect. In addition, if the relevant PRC laws and regulations change or particular laws and regulations relating to Offshore Preference Shares are promulgated thereafter, the taxation mentioned in this section shall be implemented in accordance with the PRC laws and regulations then in effect.

This discussion does not address any aspects of PRC taxation other than income tax in respect of dividends, capital gains tax, stamp duty and estate duty. Prospective investors are urged to consult their own tax advisers regarding the PRC, Hong Kong, the United States and other tax consequences of owning and disposing of Offshore Preference Shares.

Taxation of Dividends

Individual Investors

According to the Individual Income Tax Law of the PRC (中華人民共和國個人所得稅法) (the "**IIT Law**") as effective on 10 September 1980 and amended on 31 October 1993, 30 August 1999, 27 October 2005, 29 June 2007, 29 December 2007, 30 June 2011 and 31 August 2018 and the Regulations on Implementation of the Individual Income Tax Law of the PRC (中華人民共和國個人所得稅法實施條例), dividends paid by PRC companies are subject to a PRC withholding tax. When a domestic non foreign-invested enterprise listed in Hong Kong pays dividends, for a foreign individual who is not a resident of the PRC, the receipt of dividends from a company in the PRC is normally subject to a withholding tax of at least 10 per cent. (with the maximum of 20 per cent.) unless specifically exempted by the tax authority of the State Council or reduced by an applicable tax treaty.

Pursuant to the Notice of the STA on Issues Concerning Taxation and Administration of Individual Income Tax After the Repeal of the Document Guo Shui Fa 1993 No. 45 (國家稅務總局關於國稅發 [1993] 045號文件廢止後有關個人所得稅徵管問題的通知) issued by the STA on 28 June 2011, domestic non-foreign-invested enterprises issuing shares in Hong Kong may, when distributing dividends, withhold individual income tax at the rate of 10 per cent. For the individual holders of foreign investment shares receiving dividends who are citizens of countries that have entered into an income tax treaty with tax rates lower than 10 per cent., the Company will apply on behalf of such holders to seek entitlement of the lower preferential tax treatments, and, upon examination and approval by the tax authorities, the amount that is over the withheld tax will be refunded. For the individual holders of foreign investment shares receiving dividends who are citizens of countries that entered into an income tax treaty with tax rates higher than 10 per cent. but lower than 20 per cent., the Company is required to withhold tax at the agreed rate under the treaty, and no application procedures will be necessary. For the individual holders of foreign investment shares receiving dividends who are citizens of countries without taxation agreements with the PRC or are under other situations, the Company is required to withhold tax at a rate of 20 per cent.

Enterprise Investors

In accordance with the Enterprise Income Tax Law of the PRC (中華人民共和國企業所得稅法) (the "**EIT Law**") as effective on 1 January 2008 and amended on 24 February 2017 and 29 December 2018, and the Regulations on Implementation of the Enterprise Income Tax Law of the PRC (中華人民共和國企業所得稅法實施條例), a non-resident enterprise is generally subject to a 10 per cent. enterprise income tax on PRC-sourced income if such non-resident enterprise (i) does not have an establishment or place in the PRC or (ii) has an establishment or place in the PRC but its PRC-sourced income is not connected with such establishment or place in the PRC. The Circular on Issues Relating to the Withholding of Enterprise Income Tax by PRC Resident Enterprises on Dividends Paid to Overseas Non-PRC Resident Enterprise Shareholders of H Shares (關於中國居民企業向境外H股非居民企業股東派發股息代扣代繳企業所得稅有關問題的通知) (Guo Shui Han [2008] No. 897) issued by the STA on 6 November 2008, further clarified that a PRC-resident enterprise must withhold enterprise income tax at a rate of 10 per cent. on dividends paid to non-PRC resident enterprise H Shareholders with respect to the dividends distributed out of profit generated after 1 January 2008. Further deductions may be made in accordance with special arrangements or applicable treaties concluded between China and the jurisdiction of the relevant non-PRC resident enterprise.

Taxation of Capital Gains

Individual Investors

According to the IIT Law and the implementation regulations, gains realised on the sale of equity interests are subject to income tax at a rate of 20 per cent. unless such tax is reduced or exempted under relevant double taxation treaties. The MOF is authorised by the implementation regulations to formulate specific implementing measures for levying the individual income tax on any gains realised on the sale of shares in PRC companies. However, as of the date of this Offering Circular, no such implementing measures have expressly provided that individual income tax shall be collected from non-PRC resident individuals on the sale of shares in PRC resident enterprises listed on overseas stock exchanges. However, the possibility cannot be entirely excluded that taxation authorities will seek to collect individual income tax on such income in the future.

Enterprise Investors

In accordance with the EIT Law and its implementation regulations, a non-resident enterprise is generally subject to enterprise income tax at a rate of 10 per cent. with respect to PRC-sourced income, including gains derived from the disposal of equity interests in a PRC resident enterprise, if it (i) does not have an establishment or place in the PRC or (ii) has an establishment or place in the PRC but its PRC-sourced income is not connected with such establishment or place in the PRC. As of the date of this Offering Circular, no legislation has expressly provided that enterprise income tax shall be collected from non-PRC resident enterprises on their income derived by them from the sale of the shares in PRC companies listed on overseas stock exchanges. However, the possibility cannot be entirely excluded that taxation authorities will seek to collect enterprise income tax on such income in the future. In addition, such tax may be exempted in the PRC if the tax treaty or agreement that the PRC concluded with the relevant jurisdictions, where applicable, states that the PRC may not impose capital gains tax.

Stamp Duty

Pursuant to the Provisional Regulations of the PRC Concerning Stamp Duty (中華人民共和國印花稅暫行條例), effective on 1 October 1988 and amended on 8 January 2011, stamp duty imposed on the transfer of shares of PRC listed companies shall not apply to the acquisition and disposal of foreign listed shares by non-PRC investors outside the PRC. The regulation provides that PRC stamp duty is only applicable to certificates that are executed and received within the PRC, having legal force in the PRC and protected under PRC laws. In addition, pursuant to the Notice Regarding the Stamp Duty Policies for Transactions Involving Transfer of Preference Shares Related Securities (Stock) by MOF and STA (財政部、國家稅務總局關於轉讓優先股有關證券(股票)交易印花稅政策的通知) (Cai Shui [2014] No. 46), for the documentation for share transfers regarding purchase and sale, inheritance and donation of preference shares through the Shanghai Stock Exchange, Shenzhen Stock Exchange and the National Equities and Exchange Quotations, the transferor is subject to a transaction stamp duty of 0.1 per cent. of the transaction volume as of the time of documentation. The notice is only applicable to the relevant transactions through the Shanghai Stock Exchange, Shenzhen Stock Exchange and the National Equities and Exchange Quotations.

Estate Duty

Non-PRC Offshore Preference Shareholders are not subject to any estate duty according to the PRC laws.

HONG KONG

Tax on Dividends

Under current practice, no tax is payable in Hong Kong in respect of Dividends paid by the Company.

Capital Gains and Profit Tax

No tax is imposed in Hong Kong in respect of capital gains from the sale of Offshore Preference Shares. However, trading gains from the sale of the Offshore Preference Shares by persons carrying on a trade, profession or business in Hong Kong, where such capital gains are derived from or arise in Hong Kong from such trade, profession or business in Hong Kong, will be subject to Hong Kong profits tax (unless otherwise specifically exempted), which is currently imposed at the maximum rate of 16.5 per cent. on corporations and at the maximum rate of 15 per cent. on unincorporated businesses. Certain categories of taxpayers are likely to be regarded as deriving trading gains rather than capital gains (for example, financial institutions, insurance companies and securities dealers) unless these taxpayers can prove that the investment securities are held for long-term investment purposes.

Stamp Duty

No Hong Kong stamp duty will be chargeable for the issuance and transfer of the Offshore Preference Shares for so long as the register of the Offshore Preference Shareholders is maintained outside Hong Kong.

FATCA

Pursuant to certain provisions of the U.S. Internal Revenue Code of 1986, commonly known as FATCA, a "foreign financial institution" may be required to withhold on certain payments it makes ("**foreign passthru payments**") to persons that fail to meet certain certification, reporting, or related requirements. The Company may be a foreign financial institution for these purposes. A number of jurisdictions have entered into, or have agreed in substance to, intergovernmental agreements with the United States to implement FATCA ("**IGAs**"), which modify the way in which FATCA applies in their jurisdictions. Under the provisions of IGAs as currently in effect, a foreign financial institution in an IGA jurisdiction would generally not be required to withhold under FATCA or an IGA from payments that it makes. Certain aspects of the application of the FATCA provisions and IGAs to instruments such as the offshore restricted shares, including whether withholding would ever be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Offshore Preference Shares, are uncertain and may be subject to change. Even if withholding would be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Offshore Preference Shares, such withholding would not apply prior to the date that is two years after the date on which financial regulations defining foreign passthru payments are published in the U.S. Federal Register.

FOREIGN EXCHANGE

The lawful currency of the PRC is the Renminbi, which is currently subject to foreign exchange control and is not freely convertible into foreign exchange. The SAFE, under the PBOC, is responsible for administration of all matters relating to foreign exchange, including the enforcement of foreign exchange control related regulations.

In 1994, the PBOC announced that the foreign exchange quota system was abolished, the implementation of conditional convertibility of Renminbi under current accounts, the establishment of a system of settlement and payment of foreign exchange by banks and the unification of the official exchange rate for Renminbi with the market rate for the same fixed by swap centres.

On 29 January 1996, the State Council promulgated the Regulations of the PRC for Foreign Exchange Control (中華人民共和國外匯管理條例) (the "**Foreign Exchange Control Regulations**"), which became effective on 1 April 1996. The Foreign Exchange Control Regulations classify all international payments and transfers into current account items and capital account items. Most of the current account items are no longer subject to the SAFE's approval, while capital account items still are. The Foreign Exchange Control Regulations were subsequently amended on 14 January 1997 and 5 August 2008. The latest amendment to the Foreign Exchange Control Regulations clearly states that the State will not impose any restriction on international current account payments and transfers.

On 20 June 1996, the PBOC promulgated the Regulations for the Administration of Settlement, Sale and Payment of Foreign Exchange (結匯、售匯及付匯管理規定), which became effective on 1 July 1996. Such regulations abolished the remaining restrictions on convertibility of foreign exchange under current account items while retaining the existing restrictions on foreign exchange transactions under capital account items.

On 21 July 2005, the PBOC promulgated the Announcement on Reforming the Renminbi Exchange Rate Regime (關於完善人民幣匯率形成機制改革的公告), which announced that, beginning from 21 July 2005, the PRC would implement a regulated and managed floating exchange rate system in which the exchange rate would be determined based on supply and demand and with reference to a basket of currencies. The Renminbi exchange rate is no longer pegged to the U.S. dollar. The PBOC will publish the closing price of the Renminbi against foreign currencies such as the U.S. dollar in the interbank foreign exchange market after the closing of the market on each business day and will fix the central parity for Renminbi transactions on the following business day.

Starting from 4 January 2006, the PBOC introduced over-the-counter transactions into the interbank spot foreign exchange market for the purpose of improving the formation mechanism of the central parity of Renminbi exchange rates, and the way of matching shall be kept at the same time. In addition to the above, the PBOC introduced the market-maker rule to provide liquidity to the foreign exchange market. After the introduction of over-the-counter transactions, the formation mechanism of the central parity of Renminbi exchange rates is improved to be a mechanism where the China Foreign Exchange Trade System would determine the central parity of Renminbi exchange rates based on the over-the-counter transactions and announce the central parity of the Renminbi against the U.S. dollar at 9.15 a.m. on each business day under the authorisation of the PBOC.

On 5 August 2008, the State Council promulgated the revised Foreign Exchange Control Regulations (the "**Revised Foreign Exchange Control Regulations**"), which have made substantial changes to the foreign exchange supervision system of the PRC. First, the Revised Foreign Exchange Control Regulations have adopted an approach of balancing the inflow and outflow of foreign exchange. Foreign exchange income received overseas can be repatriated onshore or deposited overseas, and foreign exchange and foreign exchange settlement funds under the capital account are required to be used only for the purposes as approved by the competent authorities and foreign exchange administrative authorities. Second, the Revised Foreign Exchange Control Regulations have improved the mechanism for determining the RMB exchange rate based on market supply and demand. Third, the Revised Foreign Exchange Control Regulations have enhanced the monitoring of cross-border foreign currency fund flows. In the event that revenues and costs in connection with international transactions suffer or may suffer a material imbalance, or the national economy encounters or may encounter a severe crisis, the State may adopt necessary safeguard or control measures. Fourth, the Revised Foreign Exchange Control Regulations have enhanced the supervision and administration of foreign exchange transactions and grant extensive authorities to the SAFE to enforce its supervisory and administrative powers.

PRC enterprises (including foreign investment enterprises) that need foreign exchange for transactions relating to current account items may, without the approval of the SAFE, effect payment from their foreign exchange accounts or at the designated foreign exchange banks on the presentation of valid receipts and proof. Foreign investment enterprises that need foreign exchange for the distribution of profits to their shareholders or PRC enterprises that, in accordance with relevant regulations, are required to pay dividends to their shareholders in foreign exchange (such as the Company) may, in accordance with the board resolutions approving the distribution of profits, effect payment from their foreign exchange accounts or convert and pay dividends through the designated foreign exchange banks.

In addition, on 26 December 2014, the SAFE issued the Notice of the SAFE on Issues Concerning the Foreign Exchange Administration of Overseas Listing (國家外匯管理局關於境外上市外匯管理有關問題的通知). Pursuant to this notice, a domestic issuer shall, within 15 working days of the end of its initial public offering overseas, register with the SAFE's local branch at the place of its incorporation. The SAFE branch shall issue a certificate of overseas listing upon verification, based on which the relevant domestic issuer can proceed with the account opening and relevant matters in relation to overseas listing.

On 26 January 2017, the SAFE issued the Notice on Further Promoting the Reform of Foreign Exchange Administration and the Examination of Authenticity and Compliance (Hui Fa [2017] No. 3) (關於進一步推進外匯管理改革完善真實合規性審核的通知) to continue to implement and improve the administrative policies for the remittance of profits from direct investment in foreign exchange. For remittance overseas by a domestic institution of profits with an amount exceeding U.S.$50,000 (or its equivalent), the relevant bank shall, based on the principle of real transaction, review the resolutions of its board of directors relating to the remittance of profits (or the resolutions of the partners approving profit distribution), original tax record forms and audited financial statements, and stamp and enface on the original tax record forms the amount and date of such remittance. The domestic institution shall make up the losses of previous years in accordance with the law before remitting any profits outside the PRC.

The former China Banking Regulatory Commission, the PBOC, the CSRC, the former China Insurance Regulatory Commission and the SAFE issued the Opinions on Further Supporting Innovation of Commercial Banks' Capital Instruments (關於進一步支持商業銀行資本工具創新的意見) (Yin Jian Fa [2018] No. 5) on 18 January 2018 to improve the approval process for the issuance of capital instruments. The first is to optimise the approval process for the issuance of capital instruments, by reviewing current practices and exploring a combined approval approach. The second is to improve the shelf issuance system, by gradually improving the approval process for shelf issuance, and exploring a mechanism which allows commercial banks to control the pace of issuance within the quota approved by the relevant authorities.

SUBSCRIPTION AND SALE

The Company has entered into a subscription agreement with Merrill Lynch (Asia Pacific) Limited, Australia and New Zealand Banking Group Limited, Bank of Communications Co., Ltd. Hong Kong Branch, BOCI Asia Limited, BOCOM International Securities Limited, CCB International Capital Limited, China Chengtong (Hong Kong) Asset Management Company Limited, China Everbright Bank Co., Ltd., Hong Kong Branch, China International Capital Corporation Hong Kong Securities Limited, China Merchants Securities (HK) Co., Limited, China Securities (International) Corporate Finance Company Limited, Cinda International Capital Limited, CLSA Limited, CMBC Securities Company Limited, Deutsche Bank AG, Hong Kong Branch, Guotai Junan Securities (Hong Kong) Limited, ICBC International Securities Limited, J.P. Morgan Securities PLC, Mizuho Securities Asia Limited, Nanyang Commercial Bank, Limited, SMBC Nikko Securities (Hong Kong) Limited, SPDB International Capital Limited, Standard Chartered Bank and UBS AG Hong Kong Branch as Joint Lead Managers dated 27 October 2021 (the "**Subscription Agreement**") in relation to Offshore Preference Shares offered herein. Pursuant to the Subscription Agreement, subject to certain conditions contained therein, the Company agreed to sell and the Joint Lead Managers severally and not jointly agreed to subscribe, or procure purchasers or subscribers to subscribe, for Offshore Preference Shares of an aggregate Liquidation Preference of U.S.$1,700,000,000 in the proportions set out as follows:

	Liquidation Preference of the Offshore Preference Shares to be subscribed or procured to be subscribed
	(U.S.$)
Merrill Lynch (Asia Pacific) Limited	70,841,000.00
Australia and New Zealand Banking Group Limited	70,833,000.00
Bank of Communications Co., Ltd. Hong Kong Branch	70,833,000.00
BOCI Asia Limited	70,833,000.00
BOCOM International Securities Limited	70,833,000.00
CCB International Capital Limited	70,833,000.00
China Chengtong (Hong Kong) Asset Management Company Limited	70,833,000.00
China Everbright Bank Co., Ltd., Hong Kong Branch	70,833,000.00
China International Capital Corporation Hong Kong Securities Limited	70,833,000.00
China Merchants Securities (HK) Co., Limited	70,833,000.00
China Securities (International) Corporate Finance Company Limited	70,833,000.00
Cinda International Capital Limited	70,833,000.00
CLSA Limited	70,833,000.00
CMBC Securities Company Limited	70,833,000.00
Deutsche Bank AG, Hong Kong Branch	70,833,000.00
Guotai Junan Securities (Hong Kong) Limited	70,833,000.00
ICBC International Securities Limited	70,833,000.00
J.P. Morgan Securities PLC	70,833,000.00
Mizuho Securities Asia Limited	70,833,000.00
Nanyang Commercial Bank, Limited	70,833,000.00
SMBC Nikko Securities (Hong Kong) Limited	70,833,000.00
SPDB International Capital Limited	70,833,000.00
Standard Chartered Bank	70,833,000.00
UBS AG Hong Kong Branch	70,833,000.00
Total	1,700,000,000.00

The Company has agreed to pay the Joint Lead Managers certain fees and underwriting commissions in connection with the initial sale and distribution of the Offshore Preference Shares. The Subscription Agreement provides that the Company will indemnify the Joint Lead Managers against certain liabilities in connection with the offer and sale of the Offshore Preference Shares. The Subscription Agreement provides that the obligations of the Joint Lead Managers thereunder are subject to certain conditions precedent, and entitles the Joint Lead Managers to terminate the Subscription Agreement prior to the payment of the proceeds of the issue of the Offshore Preference Shares to the Company in certain circumstances.

In connection with the issue of the Offshore Preference Shares, any one of the Joint Lead Managers appointed and acting in its capacity as stabilisation manager (the "**Stabilisation Manager**") or any person acting on behalf of the Stabilisation Manager may, to the extent permitted by applicable laws and directives, over-allot the Offshore Preference Shares or effect transactions with a view to supporting the price of the Offshore Preference Shares at a level higher than that which might otherwise prevail, but in so doing, the Stabilisation Manager or any person acting on behalf of the Stabilisation Manager shall act as principal and not as agent of the Company. However, there is no assurance that the Stabilisation Manager or any person acting on behalf of the Stabilisation Manager will undertake Stabilisation action. Any loss or profit sustained as a consequence of any such overallotment or stabilisation shall be for the account of the Joint Lead Managers.

The Joint Lead Managers and their respective affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage activities ("**Banking Services or Transactions**"). The Joint Lead Managers and their respective affiliates may have, from time to time, performed, and may in the future perform, various Banking Services or Transactions with Company for which they have received, or will receive, fees and expenses.

In connection with the offering of the Offshore Preference Shares, the Joint Lead Managers and/or their respective affiliates, may act as investors and place orders, receive allocations and trade the Offshore Preference Shares for their own account (without a view to distributing such Offshore Preference Shares) and such orders, allocations or trading of the Offshore Preference Shares may be material. Such entities may hold or sell such Offshore Preference Shares or purchase further Offshore Preference Shares for their own account and enter into transactions, including credit derivatives, asset swaps, repackaging and credit default swaps relating to the Offshore Preference Shares and/or other securities of the Company or its subsidiaries or associates at the same time as the offer and sale of the Offshore Preference Shares or in secondary market transactions. Such transactions would be carried out as bilateral trades with selected counterparties and separately from any existing sale or resale of the Offshore Preference Shares to which this Offering Circular relates (notwithstanding that such selected counterparties may also be purchasers of the Offshore Preference Shares). Accordingly, references herein to the Offshore Preference Shares being "offered" should be read as including any offering of the Offshore Preference Shares to certain Joint Lead Managers and/or their respective affiliates for their own account. Such entities are not expected to disclose such transactions or the extent of any such investment, otherwise than in accordance with any legal or regulatory obligation to do so. If such transactions occur, the trading price and liquidity of the Offshore Preference Shares may be impacted.

Furthermore, it is possible that only a limited number of investors may subscribe for a significant proportion of the Offshore Preference Shares. If this is the case, liquidity of trading in the Offshore Preference Shares may be constrained (see "*Risk Factors – Risks Relating to the Offshore Preference Shares – The Offshore Preference Shares are newly issued securities which have limited liquidity*"). The Company and the Joint Lead Managers are under no obligation to disclose the extent of the distribution of the Offshore Preference Shares amongst individual investors.

In the ordinary course of their various business activities, the Joint Lead Managers and their respective affiliates make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers, and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve securities and instruments of the Company, including the shares and could adversely affect the trading price and liquidity of the Offshore Preference Shares. The Joint Lead Managers and their affiliates may make investment recommendations and/or publish or express independent research views (positive or negative) in respect of the Offshore Preference Shares or other financial instruments of the Company, and may recommend to their clients that they acquire long and/or short positions in the Offshore Preference Shares or other financial instruments of the Company.

GENERAL

The distribution of this Offering Circular or any other offering material and the offering, sale or delivery of the Offshore Preference Shares is restricted by law in certain jurisdictions. Therefore, persons who may come into possession of this Offering Circular or any other offering material are advised to consult with their own legal advisers as to what restrictions may be applicable to them and to observe such restrictions. This Offering Circular may not be used for the purpose of an offer or invitation in any circumstances in which such offer or invitation is not authorised.

No action has been or will be taken in any jurisdiction by the Company or any Joint Lead Manager that would, or is intended to, permit a public offering of the Offshore Preference Shares, or possession or distribution of this Offering Circular (draft or final), any amendment or supplement thereto or any other offering or publicity material relating to the Offshore Preference Shares, in any country or jurisdiction where action for that purpose is required. Accordingly, the Offshore Preference Shares may not be offered or sold, directly or indirectly, and neither this Offering Circular nor any other offering material or advertisements in connection with the Offshore Preference Shares may be distributed or published, by the Company or any Joint Lead Manager, in or from any country or jurisdiction, except in circumstances which will result in compliance with all applicable rules and regulations of any such country or jurisdiction and will not impose any obligations on the Company or any Joint Lead Manager.

If a jurisdiction requires that the offering be made by a licensed broker or dealer and any of the Joint Lead Managers or any affiliate of the Joint Lead Managers is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by such Joint Lead Manager or affiliate on behalf of the Company in such jurisdiction.

The Offshore Preference Shares are offered to professional investors only and are only suitable for professional investors. Investors should not purchase the Offshore Preference Shares in the primary or secondary markets unless they are professional investors. Investing in the Offshore Preference Shares involves certain risks. Prospective investors should read the whole of this Offering Circular, in particular the "*Risk Factors*" set out on pages 34 to 80 for further information.

UNITED STATES

The Offshore Preference Shares or the H Shares issuable upon Conversion have not been and will not be registered under the Securities Act except in certain transactions exempt from the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

In addition, until 40 days after the commencement of the offering of the Offshore Preference Shares, an offer or sale of Offshore Preference Shares within the United States by a dealer that is not participating in the offering may violate the registration requirements of the Securities Act.

THE PRC

Each Joint Lead Manager has represented and agreed that the Offshore Preference Shares are not being offered or sold and may not be offered or sold, directly or indirectly, in the People's Republic of China (for such purposes, not including, Hong Kong, Macau and Taiwan), except as permitted by the securities laws of the People's Republic of China.

HONG KONG

Each Joint Lead Manager has represented and agreed that:

(a) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Offshore Preference Shares other than (a) to "professional investors" as defined in the SFO and any rules made under that the SFO; or (b) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong (the "**C(WUMP)O**") or which do not constitute an offer to the public within the meaning of the C(WUMP)O; and

(b) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Offshore Preference Shares, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Offshore Preference Shares which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the SFO and any rules made under the SFO.

JAPAN

The Offshore Preference Shares have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended, the "**Financial Instruments and Exchange Act**"). Accordingly, each Joint Lead Manager has represented and agreed that it has not, directly or indirectly, offered or sold and will not, directly or indirectly, offer or sell any Offshore Preference Share in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organised under the laws of Japan) or to others for re-offering or re-sale, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the Financial Instruments and Exchange Act and other relevant laws and regulations of Japan.

SINGAPORE

Each Joint Lead Manager has acknowledged that this Offering Circular has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, each Joint Lead Manager has represented and agreed that it has not offered or sold any Offshore Preference Shares or caused the Offshore Preference Shares to be made the subject of an invitation for subscription or purchase and will not offer or sell any Offshore Preference Shares or cause the Offshore Preference Shares to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, this Offering Circular or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Offshore Preference Shares, whether directly or indirectly, to any person in Singapore other than (i) to an institutional investor (as defined in Section 4A of the SFA) pursuant to Section 274 of the SFA, (ii) to a relevant person (as defined in Section 275(2) of the SFA) pursuant to Section 275(1) of the SFA, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the Offshore Preference Shares are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

(a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or

(b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities or securities-based derivatives contracts (each term as defined in Section 2(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Offshore Preference Shares pursuant to an offer made under Section 275 of the SFA except:

(i) to an institutional investor or to a relevant person, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;

(ii) where no consideration is or will be given for the transfer;

(iii) where the transfer is by operation of law;

(iv) as specified in Section 276(7) of the SFA; or

(v) as specified in Regulation 37A of the Securities and Futures (Offers of Investments) (Securities and Securities-based Derivatives Contracts) Regulations 2018.

Singapore SFA Product Classification: In connection with Section 309B of the SFA and the CMP Regulations 2018, the Company has determined, and hereby notifies all relevant persons (as defined in Section 309A(1) of the SFA), that the Offshore Preference Shares are 'prescribed capital markets products' (as defined in the CMP Regulations 2018) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

EEA

Each Joint Lead Manager has represented and agreed that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Offshore Preference Shares to any retail investor in the European Economic Area. For the purposes of this provision, the expression "retail investor" means a person who is one (or more) of the following:

(i) a retail client as defined in point (11) of Article 4(1) of MiFID II; or

(ii) a customer within the meaning of the Insurance Distribution Directive, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II.

UNITED KINGDOM

Each Joint Lead Manager has represented and agreed that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Offshore Preference Shares to any retail investor in the United Kingdom. For the purposes of this provision, the expression "retail investor" means a person who is one (or more) of the following:

(i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the EUWA; or

(ii) a customer within the meaning of the provisions of the FSMA and any rules or regulations made under the FSMA to implement the Insurance Distribution Directive, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA.

Each Joint Lead Manager has represented and agreed that:

(a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of the Offshore Preference Shares in circumstances in which Section 21(1) of the FSMA does not apply to the Company; and

(b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Offshore Preference Shares in, from or otherwise involving the United Kingdom.

NOTICE TO INVESTORS

Because of the following restrictions, investors are advised to consult legal counsel prior to making any offer, sale, pledge or other transfer of the Offshore Preference Shares. Terms that are defined in Regulation S under the Securities Act are used herein as defined therein.

The Offshore Preference Shares and the H Shares issuable upon conversion have not been and will not be registered under the Securities Act and, subject to certain exceptions, may not be offered or sold within the United States. The Offshore Preference Shares and the H Shares issuable upon conversion are being offered outside the United States in offshore transactions in reliance on Regulation S.

For a description of these and certain further restrictions on offers and sales of the Offshore Preference Shares and the distribution of this Offering Circular, see "Subscription and Sale".

Investors, by accepting delivery of this Offering Circular, will be deemed to have represented and agreed as follows:

(1) they are, or at the time the Offshore Preference Shares are offered or purchased pursuant to Regulation S, will be, the beneficial owner of such Offshore Preference Shares and (A) they are located outside the United States and are acquiring the Offshore Preference Shares in an offshore transaction in accordance with Regulation S and (B) they are not affiliates of the Company or persons acting on behalf of the Company or any of its affiliates;

(2) they understand that the Offshore Preference Shares and the H Shares issuable upon conversion have not been and will not be registered under the Securities Act and, subject to certain exceptions, may not be offered, sold, pledged or otherwise transferred within the United States;

(3) any offer, sale, pledge or other transfer made other than in compliance with the above-stated restrictions shall not be recognised by the Company in respect of the Offshore Preference Shares;

(4) they and their ultimate beneficial owners are independent of, and not connected or acting in concert with, any of the directors, supervisors, chief executives or substantial shareholders of the Company or any of the Company's subsidiaries, or any of their respective associates (as such term is defined in the Hong Kong Listing Rules);

(5) they and their ultimate beneficial owners are not the Company's affiliates or otherwise acting for the Company's benefit;

(6) they and their ultimate beneficial owners are not directors, or associates (as such term is defined in the Hong Kong Listing Rules) of any director of the Company or a nominee of any of the foregoing;

(7) they and their ultimate beneficial owners are not making, have not made and will not make offers or sales of the Offshore Preference Shares to any connected person (as the term is defined in the Hong Kong Listing Rules) of the Company at the time of completion of this offering of Offshore Preference Shares;

(8) they and their ultimate beneficial owners are not directly or indirectly funded or backed by the Company, any of the directors, supervisors, substantial shareholders, chief executives of the Company or any of the Company's subsidiaries or any of their respective associates (as defined in the Hong Kong Listing Rules);

(9) they and their ultimate beneficial owners are not (a) person(s) who is/are accustomed to take instructions from any of the Company's connected persons (as defined in the Hong Kong Listing Rules) in relation to the acquisition, disposal, voting or any other disposition of the Company's securities;

(10) they and their ultimate beneficial owners are not a connected person or person who will become a connected person of the Company immediately upon completion of the offering of Offshore Preference Shares, the subscription for Offshore Preference Shares by them or any person on whose behalf they may be acting is not financed directly or indirectly by any of the Company's connected persons, and they or any person on whose behalf they may be acting is not taking instructions from any of the Company's connected persons in making this subscription for Offshore Preference Shares;

(11) whether they acquire the Offshore Preference Shares on their own behalf or as a fiduciary or agent, the Offshore Preference Shares are acquired only for the purpose of investment;

(12) they will require any person for whose accounts they are purchasing the Offshore Preference Shares and any person to whom they may offer or sell any of the Offshore Preference Shares to comply with the provisions of this section;

(13) if they are Hong Kong purchasers, their business involves the acquisition and disposal, or the holding, of securities (whether as principal or as agent), and they fall within the category of persons described as "professional investors" under the SFO and its relevant rules;

(14) they have received a copy of this Offering Circular and have not relied on any information, representation or warranty provided or made by or on behalf of the Joint Lead Managers, the Company, or any other party involved in this offering of Offshore Preference Shares other than information contained in this Offering Circular, and that none of the Joint Lead Managers, their respective affiliates, and their respective directors, officers, agents and employees will be liable for any information or omission in this Offering Circular, and they are responsible for making their own examination of the Company and their own assessment of the merits and risks of investing in the Offshore Preference Shares;

(15) they and their ultimate beneficial owners will comply with all laws, regulations and restrictions (including the selling restrictions contained in this Offering Circular) which may be applicable in their and their ultimate beneficial owners' jurisdictions and any requirements imposed by any regulators in any of the jurisdictions in which the Company operates and they and their ultimate beneficial owners have obtained or will obtain any consent, approval or authorisation required for them and their ultimate beneficial owners to subscribe for and accept delivery of the Offshore Preference Shares and they acknowledge and agree that none of the Company, the Company's affiliates, the Joint Lead Managers and their respective affiliates shall have any responsibility in this regard;

(16) they and their ultimate beneficial owners are not (a) legal person(s) or (b) natural person(s) in the PRC (other than Hong Kong, Macau and Taiwan) unless they and their ultimate beneficial owners are permitted to subscribe for or acquire the Offshore Preference Shares by the competent PRC authorities;

(17) they and their ultimate beneficial owners will comply with all guidelines issued by, and all requirements of, the SFC and the Hong Kong Stock Exchange in relation to subscription and placings (including but not limited to the Hong Kong Listing Rules) and provide all information as may be required by the regulatory bodies, including, without limitation, the Hong Kong Stock Exchange and the SFC, and in particular, the details set out in Appendix 6 to the Hong Kong Listing Rules. They acknowledge that failure to provide information required by the regulatory bodies may subject them to prosecution and they undertake to fully indemnify the Joint Lead Managers and the Company for any non-compliance with the Hong Kong Listing Rules and all applicable laws. They acknowledge that the Hong Kong Stock Exchange and the SFC may request the Company and the Joint Lead Managers to report certain information with respect to the investors, including, among other things, their names, countries of operation and allotment sizes, and that major shareholders of the Company (including those who invested in the Offshore Preference Shares) and their respective shareholding positions may be disclosed in the Company's annual reports and/or other public filings to be made by the Company in accordance with applicable stock exchange rules or regulatory requirements;

(18) they will on demand indemnify and keep indemnified the Company, the Company's affiliates, officers, agents and employees and the Joint Lead Managers and their respective affiliates, officers, agents and employees for losses or liabilities incurred by any of the foregoing arising out of or in connection with any breach of either the selling restrictions, or their agreement to subscribe for or acquire their allocated Offshore Preference Shares, or any other breach of their obligations hereunder;

(19) they had at all material times and still have full power and authority to enter into the contract to subscribe for or purchase the Offshore Preference Shares for their own account or for the account of one or more persons for whom they exercise investment discretion and their agreement to do so constitutes their valid and legally binding obligation and is enforceable in accordance with its terms;

(20) they will not copy or otherwise distribute this Offering Circular to any third party; and

(21) (A) the Company, the Joint Lead Managers and others will rely upon the truth and accuracy of their acknowledgments, representations, warranties and agreements set out above, (B) if any of the representations or warranties deemed to have been made by them by virtue of their purchase of the Offshore Preference Shares are no longer accurate, they will promptly notify the Company and the Joint Lead Managers, and (C) if they are acquiring any of the Offshore Preference Shares as a fiduciary or agent for one or more accounts, they have sole investment discretion with respect to each such account and have full power to make the foregoing acknowledgments, representations, warranties and agreements on behalf of each such account.

RESTRICTIONS ON MARKETING AND SALES TO RETAIL INVESTORS

The Offshore Preference Shares discussed in this Offering Circular are complex financial instruments with high risk. They are not a suitable or appropriate investment for all investors, especially retail investors. In some jurisdictions, regulatory authorities have adopted or published laws, regulations or guidance (together, the "**Regulations**") with respect to the offer or sale of securities such as the Offshore Preference Shares. Potential investors in the Offshore Preference Shareholders should inform themselves of, and comply with, any applicable laws, regulations or regulatory guidance with respect to any resale of the Offshore Preference Shareholders (or any beneficial interests therein).

PRIIPs REGULATION/Prohibition of sales to EEA retail investors – The Offshore Preference Shares are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the EEA. For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of MiFID II; or (ii) a customer within the meaning of the Insurance Distribution Directive, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. Consequently no key information document required by the PRIIPs Regulation for offering or selling the Offshore Preference Shares or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Offshore Preference Shares or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

UK PRIIPs REGULATION/Prohibition of sales to UK retail investors – The Offshore Preference Shares are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the UK For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the EUWA; or (ii) a customer within the meaning of the provisions of the FSMA and any rules or regulations made under the FSMA to implement the Insurance Distribution Directive, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA. Consequently no key information document required by the UK PRIIPs Regulation for offering or selling the Offshore Preference Shares or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the Offshore Preference Shares or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.

MiFID II PRODUCT GOVERNANCE/Professional investors and ECPs only target market – Solely for the purposes of the manufacturer's product approval process, the target market assessment in respect of the Offshore Preference Shares has led to the conclusion that: (i) the target market for the Offshore Preference Shares is eligible counterparties and professional clients only, each as defined in MiFID II; and (ii) all channels for distribution of the Offshore Preference Shares to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Offshore Preference Shares (a "**distributor**") should take into consideration the manufacturer's target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Offshore Preference Shares (by either adopting or refining the manufacturer's target market assessment) and determining appropriate distribution channels.

Hong Kong – Investors in Hong Kong should not purchase the Offshore Preference Shares in the primary or secondary markets unless they are Professional Investors (as defined in the SFO and its subsidiary legislation) only and understand the risks involved. The Offshore Preference Shares are only suitable for Professional Investors.

Certain of the Joint Lead Managers together with their affiliates must comply with some or all of the Regulations. By purchasing, making or accepting an offer to purchase, any Offshore Preference Shares (or a beneficial interest in such Offshore Preference Shares) from the Company and/or the Joint Lead Managers and/or their respective affiliates, the prospective investors each represents, warrants, agrees with and undertakes to the Company and each of the Joint Lead Managers and their respective affiliates that:

(1) it is not a retail client in the EEA or in the UK;

(2) it will not:

  (a) sell or offer the Offshore Preference Shares (or any beneficial interest therein) to retail clients in the EEA or the UK; or

  (b) communicate (including the distribution of the Offering Circular or approve an invitation or inducement to participate in, acquire or underwrite the Offshore Preference Shares (or any beneficial interests therein) where that invitation or inducement is addressed to or disseminated in such a way that it is likely to be received by a retail client in the EEA or the UK;) and

(3) you will at all times comply with all applicable laws, regulations and regulatory guidance (whether inside or outside the EEA or the UK) relating to the promotion, offering, distribution and/or sale of the Offshore Preference Shares (or any beneficial interests therein), including (without limitation) any such laws, regulations and regulatory guidance relating to determining the appropriateness and/or suitability of an investment in the Offshore Preference Shares (or any beneficial interests therein) for investors in any relevant jurisdiction.

(4) you further acknowledge that:

  (a) the identified target market for the Offshore Preference Shares (for the purposes of the product governance obligations in MiFID II or UK MiFIR Product Governance Rules) is eligible counterparties and professional clients only; and

  (b) no key information document ("**KID**") under PRIIPs Regulation or UK PRIIPs Regulation has been prepared and therefore offering or selling the Offshore Preference Shares or otherwise making them available to any retail investor in the EEA or the UK may be unlawful under PRIIPs Regulation or UK PRIIPs Regulation.

Where acting as agent on behalf of a disclosed or undisclosed client when purchasing, or making or accepting an offer to purchase, any Offshore Preference Shares (or any beneficial interests therein) from the Company and/or the Joint Lead Managers, the foregoing representations, warranties, agreements and undertakings will be given by and be binding upon both the agent and its underlying client.

DESCRIPTION OF H SHARES

The discussion below provides information about the Company's share capital and summaries of the relevant provisions of the Articles, the Company Law and other laws and regulations applicable to us. These summaries do not purport to be complete and are qualified in their entirety by reference to the full Articles. See "Regulation and Supervision in the PRC and Hong Kong" and "Summary of the Company's Articles of Association" for further discussion.

As of 30 June 2021, the Company's registered share capital was RMB38,164,535,147 consisting of 38,164,535,147 Ordinary Shares (including 24,596,932,316 Domestic Shares and 13,567,602,831 H Shares) with a par value of RMB1.00 each. The Company has issued 160,000,000 offshore preference shares.

The Offshore Preference Shares to be issued by the Company under this Offering may be converted into H Shares upon the occurrence of certain Trigger Events in accordance with the terms and conditions as set out in the "*Terms and Conditions of the Offshore Preference Shares*". Thus, the following discussion primarily concerns the Company's H Shares and the Offshore Preference Shareholders' rights as shareholders of the Company's H Shares.

SOURCES OF SHAREHOLDERS' RIGHTS

The PRC legal system is based upon codes and statutes and is a system in which decided legal cases have limited precedential value. The PRC legal system is similar to civil law systems in this regard. In 1979, the PRC began developing its legal system by undertaking to promulgate a comprehensive system of laws. The Company Law and the rules and regulations promulgated thereunder, as well as legal prescriptions relating to Chinese companies whose shares are offered overseas, provide the core of the legal framework governing the corporate behaviour of companies, such as us, and their directors and shareholders.

Currently, the primary sources of Shareholders' rights are the Company's Articles, the Company Law and the Hong Kong Listing Rules, which impose certain standards of conduct, fairness and disclosure on the Company, its directors and its controlling shareholders. To facilitate the offering and listing of shares of Chinese companies overseas, and to regulate the behaviour of Chinese companies whose shares are listed overseas, the Securities Commission of the State Council (the predecessor of the CSRC) and the State Economic System Restructuring Commission jointly issued on 27 August 1994 the Mandatory Provisions for Articles of Association of Companies to be Listed Overseas (the "**PRC Mandatory Provisions**"). The Hong Kong Listing Rules require a number of provisions in addition to the PRC Mandatory Provisions to be included in the articles of association of Chinese companies listing H shares on the Hong Kong Stock Exchange. The Company's Articles have incorporated these PRC Mandatory Provisions and the additional provisions required by the Hong Kong Stock Exchange.

The PRC Mandatory Provisions and the additional provisions of the Hong Kong Stock Exchange together, reduce many of the differences that exist between the Company Law and Hong Kong company law regarding, among other things, the variation of class rights, shareholders' rights to information, safeguards against directors' abuse of power, directors' fiduciary duties and duties of controlling shareholders to other shareholders. Certain differences remain, and the Offshore Preference Shareholders should note such differences. For example, any dispute or claim of rights relating to the affairs of the Company and arising between H Shareholders and the Company or its directors, supervisors or senior management members, or between H Shareholders and holders of Domestic Shares, and arising as a result of the rights and obligations provided for in the Company's Articles, the Company Law and other applicable laws and administrative regulations (other than disputes in respect of the definition of shareholders and in relation to the register of members), shall be resolved through the Hong Kong International Arbitration Centre in Hong Kong or the China International Economic and Trade Arbitration Commission in mainland China, rather than through courts, as could be the case under Hong Kong company law.

In addition, for so long as the H Shares are listed on the Hong Kong Stock Exchange, the Company will be subject to the Hong Kong Listing Rules, the SFO and the Codes on Takeovers and Mergers and Share Buy-backs.

ENFORCEABILITY OF SHAREHOLDERS' RIGHTS

The Company's Articles are a legally binding document regulating the Company's organisation and activities, as well as the rights and obligations between the Company and its Shareholders and among its Shareholders. The Company's Articles provide that any dispute or claim of rights relating to the affairs of the Company and arising between H Shareholders and the Company, between H Shareholders and its directors, supervisors or senior management members, or between H Shareholders and holders of Domestic Shares, and arising as a result of the rights and obligations provided for in the Company's Articles, the Company Law and other applicable laws and administrative regulations, must, with certain exceptions, be referred to arbitration at either the China International Economic and Trade Arbitration Commission or the Hong Kong International Arbitration Centre. The Company's Articles provide that an arbitral award made by the arbitral body is final and binding on all parties.

On 1 February 2000, an arrangement between Hong Kong and mainland China for the reciprocal enforcement of arbitral awards became effective. The arrangement was made in accordance with the spirit of the New York Convention on the Recognition and Enforcement of Foreign Arbitral Awards 1958. Under the arrangement, awards made by PRC arbitral authorities are recognised under the Arbitration Ordinance of Hong Kong as enforceable in Hong Kong. Hong Kong arbitral awards are also enforceable in the PRC, subject to the satisfaction of certain PRC legal requirements. The PRC's Arbitration Law was promulgated on 31 August 1994, became effective on 1 September 1995 and was amended on 27 August 2009 and 1 September 2017. However, no assurance can be given as to the outcome of any action brought in the PRC to enforce an arbitral award granted to the H Shareholders of the Company.

The Company have been advised by its PRC legal advisers that it is unclear whether the mandatory arbitration provisions described in the preceding paragraph would extend to cover any claim raised under the securities laws of any jurisdiction other than Hong Kong or the PRC.

The holders of the H Shares of the Company will not be able to bring actions on the basis of violations of the Hong Kong Listing Rules and must rely on the Hong Kong Stock Exchange to commence an action to enforce its rules. The SFO establishes certain obligations in relation to disclosure of shareholder interests in Hong Kong listed companies, the violation of which is the subject of prosecution by the SFC. The Codes on Takeovers and Mergers and Share Buy-backs do not have the force of law and are only standards of commercial conduct considered acceptable for takeovers and mergers and share buy-backs in Hong Kong as established by the SFC and the securities and futures industry in Hong Kong.

DIFFERENCES BETWEEN THE COMPANY'S H SHARES AND DOMESTIC SHARES

The Company's H Shares and Domestic Shares are all ordinary shares in its share capital. Generally, H Shares may only be subscribed for by, and traded in Hong Kong dollars between, legal or natural persons of Hong Kong, Macau, the region of Taiwan or any country or jurisdiction other than the PRC, unless through stock connect between Hong Kong and main China or special approval is granted to a QDII by the relevant PRC authorities. Domestic Shares, on the other hand, may only be subscribed for by, and traded between, legal or natural persons of the PRC and QFIIs or foreign strategic investors approved by the relevant PRC authorities and must be subscribed for and traded in Renminbi.

All dividends in respect of H Shares will be declared in Renminbi and paid by the Company in Hong Kong dollars. All dividends in respect of Domestic Shares will be paid by the Company in Renminbi.

RESTRICTIONS ON TRANSFERABILITY AND THE REGISTER OF MEMBERS

In general, the Company's H Shares may be traded only among foreign investors and may not be sold to investors in the PRC, and investors in the PRC are not entitled to be registered as holders of its H Shares unless special approval is granted to a QDII or other eligible investors by the relevant PRC authorities or such H shares are sold through southbound stock connect. In addition, any person that purchases 5% or more of the total number of the Company's issued Ordinary Shares needs to obtain prior approval from the PRC banking regulatory authority unless otherwise required by such approval authority.

Pursuant to the Company's Articles, all H Shares have been fully paid are freely transferrable; the board of directors may refuse to accept any transfer documents without giving any explanation for such refusal, unless (i) any transfer documents and other documents which are relevant to or which would affect the ownership of the shares shall be registered with a registration fee payable to the Company in accordance with the Hong Kong Listing Rules required by the Hong Kong Stock Exchange; (ii) such transfer documents only relate to H Shares listed on the Hong Kong Stock Exchange; (iii) any stamp duty payable for the transfer documents is duly paid in accordance with the laws of Hong Kong; (iv) relevant share certificates and other proof which proves the transferor's ownership of the shares shall be provided, as the board of directors may reasonably require; (v) there shall only be a maximum of four joint holders of shares in the event that the shares are to be transferred to joint holders; and (vi) no lien shall be attached to the relevant shares.

None of the directors, supervisors and senior management members of the Company shall transfer more than 25% of all the shares held in the Company in any particular year during their tenure. They shall not transfer the shares held within one year from the date of the Company's listing on a stock exchange, or six months after their resignation from their positions with the Company.

The Company shall maintain a register of members comprising various parts, including a register in relation to its H Shares listed on the Hong Kong Stock Exchange. Its shareholders have the right to inspect and subject to payment of a charge, obtain a copy of the register of members.

The Company have appointed Computershare Hong Kong Investor Services Limited to act as its transfer agent and registrar of its H Shares in Hong Kong. Its Hong Kong transfer agent and registrar maintains the Company's register of H Shares at its offices at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, enters transfers of its H Shares in such register and issues certificates evidencing such H Shares to and in the name of the transferee upon the presentation of the transfer documents described above and any payment of any relevant tax or governmental charge that may be imposed relating to such transfer.

DISCLOSURE

The Hong Kong Stock Exchange requires the Company to keep the Hong Kong Stock Exchange, its Shareholders and other holders of its listed securities informed as soon as reasonably practicable of any information relating to it, including information regarding any major new developments that are not public knowledge, that (i) is necessary to enable them and the public to assess the Company's position, (ii) is necessary to avoid a false market in the Company's securities and (iii) might be reasonably expected to materially affect market activity in, and the price of, its securities.

The Hong Kong Listing Rules also contain requirements for the Company to obtain its Shareholders' prior approval and to disclose to its Shareholders the details of certain acquisitions or disposals of assets and connected transactions.

REGULATION AND SUPERVISION IN THE PRC AND HONG KONG

THE PRC REGULATORY ENVIRONMENT

Financial Asset Management Companies and their Distressed Asset Management Business

Summary

The development of the distressed asset management industry in China is divided into three phases: Policy Phase, Transition Phase and Commercial Phase. Accordingly, the regulatory environment of the distressed asset management industry has also been changing and evolving.

In general, distressed asset management business in China is subject to strict regulation mainly by the CBIRC and the MOF. Relevant regulatory requirements mainly cover industry access, corporate governance and business operation and many other aspects.

Major Regulators

CBIRC

The CBIRC is the regulatory authority of the banking and insurance sectors directly under the State Council. According to the Provisions on the Main Functions, Interior Institutions and Staffing of the CBRC (Guo Ban Fa [2003] No. 30) (《中國銀行業監督管理委員會主要職責內設機構和人員編制規定》(國辦發[2003](30號)) promulgated by the General Office of the State Council on and effective from 25 April 2003 and the Resolution on the Assumption of the Regulatory Functions of the PBOC by the CBRC (《關於中國銀行業監督管理委員會履行原由中國人民銀行履行的監督管理職責的決定》) adopted by the Standing Committee of the National People's Congress and effective from 26 April 2003, the former CBRC is authorised to centrally supervise and regulate banks, AMCs, trust investment companies and other depository financial institutions ("**Banking Financial Institutions**") and ensure the lawful and healthy operation of the banking industry and undertake aforesaid responsibilities previously performed by the PBOC. According to the State Council Institutional Reform Plan (《國務院機構改革方案》) passed on the first meeting of the thirteenth session of the National People's Congress held on 17 March 2018, the CBIRC was formed by combining of the CBRC and the CIRC.

According to the Provisions on the Functions Configuration, Interior Institutions and Staffing of the CBIRC (《中國銀行保險監督管理委員會職能配置、內設機構和人員編制規定》) effective from 14 August 2018, the major responsibilities of the CBIRC include the following:

- conducting unified supervision and management of national banking and insurance sectors in China in accordance with laws and regulations; ensuring the lawful and healthy operations of the banking and insurance sectors; and directly supervising its agencies;

- conducting systematic research on the reform and opening up as well as the supervisory effectiveness of the banking and insurance sectors; engaging in strategic planning for the reform and development of the financial sector, and participating in the drafting of the key laws and regulations in the banking and insurance sectors, the prudential regulation framework and financial consumer protection framework; drafting other laws and regulations in the banking and insurance sectors and making recommendations for the formulation and amendment of these rules and regulations;

- formulating supervisory rules for prudential regulation and conduct regulation of the banking and insurance sectors in accordance with the framework of prudential regulation and financial consumer protection; developing operational rules and supervisory rules for microfinance companies, financing guarantee companies, pawnshops, leasing companies, commercial factoring companies, local asset management companies and other institutions; and establishing supervisory framework for the business activities of online lending information intermediaries;

- licensing banking and insurance institutions and their business scope in accordance with laws and regulations; reviewing and approving the qualification of senior management of relevant institutions; and formulating codes of conduct for banking and insurance practitioners;

- conducting supervision on banking and insurance institutions in terms of corporate governance, risk management, internal control, capital adequacy, solvency, business operation, and information disclosure, etc.;

- conducting on-site examination and off-site surveillance on banking and insurance institutions, carrying out risk and compliance assessment, protecting the legitimate rights of financial consumers and penalising illegal acts and misconducts;

- compiling and preparing regulatory data reports of the banking and insurance sectors; publishing such reports in accordance with the relevant national regulations; and performing relevant duties in relation to comprehensive statistical work in the financial sector;

- establishing risk monitoring, control, assessment and early warning mechanisms for the banking and insurance sectors; tracking, analysing, monitoring and forecasting the operations in the banking and insurance sectors;

- together with the relevant departments, advising and making recommendations for and coordinating the implementation of the emergency risk management of depository financial institutions and insurance institutions;

- cracking down on illegal financial activities in accordance with laws and regulations, including identifying, punishing and banning illegal fund-raising activities and conducting the relevant coordination work;

- providing guidance for and monitoring the work of local financial regulatory authorities in accordance with their respective duties;

- engaging in the activities of international banking and insurance organisations, including the international regulatory standard-setting work for banking and insurance sectors; and facilitating international cooperation of the banking and insurance sectors;

- carrying out routine administrative work of the supervisory boards of major national Banking Financial Institutions;

- performing other responsibilities assigned by the Central Committee of the Party and the State Council; and

- transition of functions: focusing on the guidelines and tasks of national financial work, further clarifying its functional positions, strengthening its supervisory responsibilities, strengthening micro-prudential supervision, behavior supervision and financial consumer protection and safeguarding the bottom line of preventing systemic financial risks; in accordance with the requirements of streamlining administration and delegating powers, gradually reducing and standardising prior approvals, strengthening mid-term and post-event supervision, optimising financial services, appropriately transferring supervision and service responsibilities to agencies, promoting the shift of the business and services of banking and insurance institutions downwards and making better use of financial services to facilitate real economy.

MOF

MOF is a department of the State Council and is authorised by the State Council to exercise the functions in relation to finance, taxation and state-owned assets management and other relevant duties. According to the Provisions on the Functions Configuration, Interior Institutions and Staffing of the MOF (《財政部職能配置、內設機構和人員編制規定》) effective from 2 February 2019, the MOF's main responsibilities in relation to the regulation of AMCs include:

- drafting the laws and regulations on finance and accounting management, formulating departmental regulations and supervising their implementation;

- organising the drafting of laws, administrative regulations, implementation rules on taxation and tax policy adjustment plans;

- performing its responsibilities as the sole sponsor of the central state-owned financial capital in accordance with the authorisation from the State Council; and formulating nationwide regulations and systems for the management of state-owned financial capital;

- responsible for reviewing and compiling drafts of national budgets and final accounts for the operations of state-owned capital, formulating the systems and methods of the budgets for the operations of state-owned capital and collecting state-owned capital gains from central-level enterprises; and responsible for formulating and organising the implementation of corporate financial systems; and

- responsible for managing the national accounting work, supervising and regulating accounting behaviors, formulating and organising the implementation of the unified national accounting principles, giving guidance and managing social audits; and managing the work related to asset evaluation in accordance with laws.

Other Regulators

Apart from the regulators mentioned above, AMCs are also subject to the supervision and regulation of the PBOC, SAFE, NAO, STA and other regulatory authorities.

Industry Access

Establishment

According to the Regulations on Financial Asset Management Companies (State Council Order No. 297) (《金融資產管理公司條例》(國務院令第297號)) promulgated by the State Council on and effective from 10 November 2000, AMCs are wholly state-owned non-bank institutions established by the State Council to acquire NPLs of state-owned banks, manage and dispose assets from the acquisition of the NPLs of state-owned banks. The regulations mentioned above stipulated that the initial registered capital of an AMC shall be RMB10 billion which will be contributed by the MOF. AMCs shall be granted a Licence of Legal-person of Financial Institutions (《金融機構法人許可證》) by the PBOC and shall register with relevant administration for industry and commerce. Such regulatory duties of the PBOC were subsequently assumed by the CBIRC.

According to the Administrative Measures on the Batch Transfer of Distressed Assets of Financial Enterprises (Cai Jin [2012] No. 6) (《金融企業不良資產批量轉讓管理辦法》(財金[2012]6號)) jointly issued by the MOF and the former CBRC on 18 January 2012, each provincial government may, in principle, establish or authorise one asset management or operation company. Copies of the approval or authorisation documents shall be filed with the MOF and the CBIRC. These asset management or operation companies are only allowed to participate in the batch transfer of distressed assets in their respective provinces, regions or municipalities (as the case may be). The distressed assets acquired by these companies shall be disposed by way of debt restructuring and shall not be transferred to other companies. According to the Letter of the General Office of the CBRC on Appropriately Adjusting the Relevant Policies for Local Asset Management Companies (CBRC Letter [2016] No. 1738) (《中國銀行業監督管理委員會辦公廳關於適當調整地方資產管理公司有關政策的函》(銀監辦便函[2016]1738號)) promulgated on and effective from 14 October 2016, the restriction that each provincial government may, in principle, establish one local asset management company set forth in Section 2 of Article 3 in the Administrative Measures on the Batch Transfer of Distressed Assets of Financial Enterprises (《金融企業不良資產批量轉讓管理辦法》) was relaxed and a provincial government may establish one more if it has such intention.

Major Changes

According to the Measures of the CBIRC for the Implementation of Administrative Licensing Matters Concerning Non-bank Financial Institutions (CBIRC Order [2020] No. 6) (《中國銀保監會非銀行金融機構行政許可事項實施辦法》(中國銀行保險監督管理委員會令2020年第6號)) promulgated by the CBIRC on and effective from 23 March 2020, any of the following material changes of AMCs shall be subject to processing, review and determination by the CBIRC:

- establishment of branches;
- investment to establish, hold equity interests (capital increment) in and acquire financial institutions which are legal persons;
- change of name, registered capital or domicile;
- modification of its articles of association;
- change of equity interests or adjustment to the shareholding structure;
- division and merger;

- change of the form of organisation;
- change of equity interests or adjustment to shareholding structure, change of name, registered capital, division or merger or making of major investments (referring to equity investment with investment amount of RMB100 million or more or constituting 5 per cent. or more of the registered capital) of or by their wholly-owned or controlled offshore financial institutions;
- dissolution or contemplated bankruptcy; and
- dissolution or contemplated bankruptcy of their wholly-owned or controlled offshore financial institutions, etc.

Restriction on Shareholding by Foreign Investors

In terms of the shareholding of foreign investors in AMCs, according to the Decision of the CBIRC on Repealing and Amending Some Rules (CBIRC Order [2018] No. 5) (《中國銀保監會關於廢止和修改部分規章的決定》(中國銀行保險監督管理委員會令2018年第5號)) promulgated by the CBIRC on and effective from 17 August 2018, the Administrative Measures for the Investment and Shareholding in Domestic-Funded Financial Institutions by Foreign Financial Institutions (CBRC Order [2003] No. 6) (《境外金融機構投資入股中資金融機構管理辦法》(中國銀監會令2003年第6號)) were repealed and Article 117 of the Implementation of Administrative Licensing Matters Concerning Non-bank Financial Institutions (《中國銀監會非銀行金融機構行政許可事項實施辦法》) was deleted, removing limits on the shareholding of foreign investors in AMCs.

Business Qualification

According to the Measures for the Administration of Financial Licences (CBRC Order [2007] No. 8) (《金融許可證管理辦法》(中國銀監會令2007年第8號)) issued on 1 July 2003 and revised and promulgated by the former CBRC on 3 July 2007, a Financial Licence is a legal document issued by the CBRC according to laws to permit financial institutions to engage in financial businesses, and shall apply to financial institutions that are subject to the regulation of the CBRC and have been approved to engage in financial businesses. The CBRC and banking regulation bureau are responsible for the issuance and management of the Financial Licences of the AMCs and their branches respectively.

Business Scope

According to the Regulations on Financial Asset Management Companies (《金融資產管理公司條例》), upon their establishment, AMCs may engage in the following business activities in the course of managing and disposing of the assets resulting from the NPLs acquired from state-owned banks, including (1) recovering debts; (2) leasing the assets resulting from the acquisition of NPLs or transferring and restructuring such assets in other manners; (3) DES business, and holding equity interests in enterprises on a transitional basis; (4) sponsoring IPOs and underwriting bonds and shares for companies under management; (5) issuance of financial bonds, borrowing from financial institutions; (6) financial and legal consultation, asset and project appraisal; and (7) other business activities approved by the PBOC and the CSRC.

According to the Reply from the CBRC regarding the Restructuring of China Cinda Asset Management Corporation and Incorporation of China Cinda Asset Management Co., Ltd. (Yin Jian Fu [2010] No. 284) (《中國銀監會關於中國信達資產管理公司改制設立中國信達資產管理股份有限公司的批覆》(銀監覆[2010]284號)) issued by the former CBRC on 28 June 2010, we are permitted to engage in the following businesses: (1) acquisition, entrusted operation of distressed assets of financial and non-financial enterprises and management of, investment in and disposal of distressed assets; (2) DES business and the management of, investment in and disposal of equity assets; (3) bankruptcy administration; (4) investment; (5) trading of securities; (6) issuance of financial bonds, interbank lending and commercial financing from other financial institutions; (7) approved asset securitisation, trustee and liquidation businesses for financial institutions; (8) insurance agency business; (9) financial, investment, legal and risk management advisory and consulting businesses; (10) assets and project appraisal; and (11) other businesses approved by the banking regulatory authority of the State Council.

Corporate Governance

According to the Company Law of the People's Republic of China (President Order No. 15) (《中華人民共和國公司法》)(主席令第15號)) revised and promulgated by the Standing Committee of the National People's Congress on and effective from 26 October 2018 and the Provisional Regulatory Guidelines for Supervision of Financial Asset Management Companies on a Financial Statements Consolidation Basis (Provisional) (Yin Jian Fa [2011] No. 20) (《金融資產管理公司併表監管指引(試行)》(銀監發[2011]20號)) promulgated by the former CBRC and effective from 8 March 2011 and other relevant regulations, AMCs that have been restructured to joint-stock companies shall further enhance the corporate governance with a focus on commercial operation, strengthen the effectively balanced mechanism of shareholders' meeting, board of directors, board of supervisors and senior management, improve authorisation plan, consolidate and further enhance the reforms.

According to the Guidelines on the Corporate Governance of Commercial Banks (Yin Jian Fa [2013] No. 34) (《商業銀行公司治理指引》(銀監發[2013]34號)) promulgated on 19 July 2013 by the former CBRC, AMCs shall abide by the guidelines by analogy, observe the principle that governing bodies such as shareholders' general meeting, board of directors, board of supervisors, senior management, and shareholders and such shall each operate independently, balance effectively, cooperate with each other and work smoothly. Also, AMCs shall establish reasonable incentive and restriction mechanism to perform effective decision-making, execution and supervision. Based on the principles above, the guidelines provide further regulations in relation to rights and responsibilities of shareholders, shareholders' general meeting, board of directors, board of supervisors, senior management as well as selection procedure and obligations of directors, supervisors and senior management and corporate strategies, value standard, social responsibilities, risk management and internal control, incentive and restriction mechanism, information disclosure and supervision.

According to the Measures of the CBIRC for the Implementation of Administrative Licensing Matters Concerning Non-bank Financial Institutions (《中國銀保監會非銀行金融機構行政許可事項實施辦法》), the applications for approval of the qualifications for directors and senior management of AMCs and their wholly-owned or controlled offshore financial institutions shall be made by the AMCs to the CBIRC, who will accept, review and make decisions over the applications. The applications for approval of the qualifications for senior management by branches of non-bank financial institutions shall be made by their legal person entities with the prefectural-level or the provincial-level agencies of the CBIRC at the place where the branches are located, who shall accept and conduct initial examinations over the applications, and the provincial-level agencies of the CBIRC shall further review and make decisions.

According to the Measures for Evaluating the Performance of Directors of Commercial Banks (Provisional) (《商業銀行辦法董事履職評價辦法(試行)》) promulgated by the former CBRC and effective from 10 December 2010, AMCs shall establish a system for evaluating the performance of directors, and the board of supervisors shall assume the ultimate liability for the evaluation of the performance of directors with reference to the abovementioned measures. The CBRC shall supervise the evaluation of the performance of directors.

Internal Control and Risk Management

According to the Measures on the Internal Control of Financial Asset Management Companies (Cai Jin [2005] No. 136) (《金融資產管理公司內部控制辦法》(財金[2005]136號)) promulgated by the MOF and the former CBRC on 31 December 2005, the internal control of AMCs consists of the following factors: (1) internal control environment, including a strong supervision and control culture, good corporate governance mechanism, well-structured organisational framework, reasonable and effective incentive and restriction mechanism so as to provide necessary prerequisites for the effectiveness of internal control; (2) risk identification, evaluation and control, including designated risk management institutions, comprehensive risk management system, systematic risk management rules, timely risk prevention of new business and continuous risk reporting; (3) internal control measures, including clear-cut responsibilities, proper authorisation system, strict keeping of records and vouchers and stamps management, independent legal review, effective crisis management; (4) information communication and feedback, including managing information system, information communication and feedback mechanism, complete information data, proper information disclosure; and (5) supervision, evaluation and correction, including business inspection, evaluating, reporting and correcting mechanism for internal control.

According to the Basic Internal Control Norms for Enterprises (Cai Kuai [2008] No. 7) (《企業內部控制基本規範》(財會[2008]7號)) promulgated by the MOF, the CSRC, the NAO, the former CBRC and the former CIRC on 22 May 2008, large and medium-sized enterprises established in China shall establish internal control system and organise its implementation and use information technology to strengthen the internal control, set up information system adapted to its operation and management, promote the combination of the internal control process with the information system, realise the automatic control over business and matters, minimise or eliminate human manipulation factors. According to the Notice on Matters Concerning the Acceleration of Construction of Internal Control System of Central Enterprises (Guo Zi Fa Ping Jia [2012] No. 68) (《關於加快構建中央企業內部控制體系有關事項的通知》(國資發評價[2012]68號)) promulgated by the SASAC and the MOF on 7 May 2012, each central enterprise shall strive to establish a standardised and sound internal control system within two years, as required by the Basic Internal Control Norms for Enterprises (《企業內部控制基本規範》) and its matching guidelines.

According to the Guidelines on Internal Audit for Commercial Banks (《商業銀行內部審計指引》) promulgated by the former CBRC on and effective from 16 April 2016, AMCs shall abide by such guidelines. Pursuant to the guidelines, an audit committee shall be established under the board of directors and the audit committee shall contain no less than three members with a majority of the members being non-executive directors. The chairman of the audit committee shall be an independent director. An internal audit department shall be established to audit the business operation and management acts of the whole system, and the internal auditors shall generally be staffed at 1 per cent. of the total number of employees, and an internal job rotation system shall be established. An independent and vertical internal audit management system shall be established with the board of directors or its special committees being responsible for the audit budget, the remunerations of members and the appointment and dismissal of major persons-in-charge.

According to the Provisional Regulatory Guidelines for Supervision of Financial Asset Management Companies on a Financial Statements Consolidation Basis (Provisional) (《金融資產管理公司併表監管指引(試行)》), the CBRC shall conduct supervision of AMCs on a financial statement consolidation basis and their affiliated legal-person institutions (refer to domestic and foreign subsidiaries controlled by AMCs and other institutions which shall be included in the scope of consolidated supervision as per those guidelines). Supervision on a financial statement consolidation basis refers to the all-round and continuous supervision over the capital and risks of the group based on single legal-person supervision, in order to identify, measure, monitor and evaluate the general risk conditions within the group. Subject to such guidelines, consolidated supervision is adopted in both qualitative and quantitative means. The qualitative supervision is mainly aimed to review and evaluate factors such as corporate governance, internal control and risk management of the group. The quantitative supervision is mainly aimed to identify, measure, monitor and analyse the management of capital adequacy and leverage ratio of the group, as well as conditions such as large-sum risk, liquidity risk and major internal transaction, thereby having a quantitative evaluation of the risk conditions of the group based on the consolidation.

AMCs shall establish an internal control system supporting all-round risk management and sound internal control system and enhance full-process risk control measures. Internal control system and full-process risk control measures shall at least include: (1) an effective internal authorisation system; (2) an approval system for business and risk management; (3) a reporting system for risk monitoring and risk management; (4) a major risk warning and emergency management system; (5) a risk management accountability system; (6) an internal audit and supervision system; (7) a risk management assessment and evaluation system; (8) a power balancing system for key roles; and (9) a firewall and risk separation system. AMCs shall report their risk management conditions of the group every half a year to the CBRC, and submit relevant materials as required. In regards to major accidental risk events, AMCs shall establish corresponding major event reporting system and file with the CBRC.

According to the Notice on the Issuance of Off-site Supervision Information Indicator System for Financial Asset Management Companies (Yin Jian Ban Fa [2016] No. 38) (《中國銀監會辦公廳關於印發金融資產管理公司非現場監管報表指標體系的通知》(銀監辦發[2016]38號)) promulgated by the General Office of the former CBRC on 25 February 2016 and effective from 1 March 2016, there are ten monitoring indicators, respectively being core tier 1 capital adequacy ratio, tier 1 capital adequacy ratio, capital adequacy ratio, the group's excess capital, leverage ratio, the group's consolidated leverage ratio, provision coverage ratio, single customer concentration ratio (legal person), the group's customer concentration ratio and liquidity coverage ratio.

According to the Measures for the Capital Management of Financial Asset Management Companies (Provisional) (《金融資產管理公司資本管理辦法(試行)》) promulgated by the former CBRC on 26 December 2017 and effective from 1 January 2018, for groups composed of asset companies and their subsidiary institutions, the group and the parent company of the group shall ensure that the capital they hold can resist the risks that they are confronting, including group risks, individual risks and systematic risks. The parent company of a group shall refer to the relevant provisions promulgated by the banking regulatory authority of the State Council on the capital regulation of commercial banks and establish a comprehensive risk management structure and internal capital adequacy management and evaluation procedures.

Information Disclosure

According to the Provisional Regulatory Guidelines for Supervision of Financial Asset Management Companies on a Financial Statements Consolidation Basis (Provisional) (《金融資產管理公司併表監管指引(試行)》), AMCs shall establish and improve the information disclosure system in respect of its consolidated financial statements. They shall also standardise disclosure procedures, define the internal management responsibilities and make public disclosure in accordance with relevant laws, regulations and regulatory requirements. AMCs shall follow the principles of authenticity, timeliness, completeness and consistency when disclosing the information of its consolidated financial statements to the public. They shall be legally responsible for false and misleading statements as well as material omissions. Information of the consolidated financial statements disclosed by the AMCs mainly includes basic information, capital information and risk management information of the companies. AMCs may also disclose other relevant information at their own discretion according to their actual situation.

Other Provisions Regarding Institutional Regulation of Financial Asset Management Companies

Anti-money Laundering

In the capacity of financial institutions, AMCs shall comply with the requirements of laws and regulations in respect of anti-money laundering.

According to the Anti-money Laundering Law of the People's Republic of China (President Order No. 56) (《中華人民共和國反洗錢法》) (主席令第56號) promulgated by the Standing Committee of the National People's Congress on 31 October 2006 and effective from 1 January 2007, the relevant financial regulatory authority under the State Council requires the financial institutions under its supervision and administration to establish and improve an internal control system of anti-money laundering.

According to the Provisions on Financial Institutions Anti-money Laundering (PBOC Order [2006] No. 1) (《金融機構反洗錢規定》(中國人民銀行令[2006]第1號)) promulgated by the PBOC on 14 November 2006 and effective from 1 January 2007, financial institutions and their branch offices shall establish and improve an anti-money laundering internal control system pursuant to the laws, and set up an anti-money laundering department or designate an internal department in their branches to be responsible for anti-money laundering activities.

According to the Administrative Measures of Client Identification and Identity Data and Transaction History Recording of Financial Institutions (Order of the PBOC, the CBRC, the CSRC, the CIRC [2007] No. 2) (《金融機構客戶身份識別和客戶身份資料及交易記錄保存管理辦法》(中國人民銀行、中國銀監會、中國證監會、中國保監會令[2007]第2號)) promulgated by the PBOC, the former CBRC, CSRC and the former CIRC on 21 June 2007 and effective from 1 August 2007, financial institutions shall establish, improve and implement client identification system and implement client identity data and a transaction history archiving system.

According to the Administrative Measures on Reporting Large and Doubtful Transactions in Financial Institutions (PBOC Order [2016] No. 3) (《金融機構大額交易和可疑交易報告管理辦法》(中國人民銀行令[2016]第3號)) promulgated by the PBOC on 28 February 2016 and amended on 26 July 2018, financial institutions shall set up a special position for anti-money laundering duty, assign a designated person to report large and doubtful transactions and provide necessary resources and information support. In addition, financial institutions shall formulate an internal management system and operating procedures for large and doubtful transactions according to such measures, set out unified requirements for its large and doubtful transactions reporting work and supervise and manage the implementation of the large and doubtful transactions reporting systems of its branches and affiliates. Financial institutions shall file their large and doubtful transactions reporting systems with the PBOC or the local branch of the PBOC where their respective headquarters are located.

According to the Measures for the Administration of Combating Money Laundering and Terrorist Financing by Banking Financial Institutions (CBIRC Order [2019] No. 1) (《銀行業金融機構反洗錢和反恐怖融資管理辦法》(中國銀行保險監督管理委員會令[2019]年第1號)) promulgated by the CBIRC on and effective from 29 January 2019, in terms of the management of anti-money laundering and counter-financing of terrorism, AMCs shall refer to the provisions set out in such Measures that are applicable to Banking Financial Institutions, and shall establish a robust money laundering and financing of terrorism risk management system, identify and assess the risks of money laundering and terrorist financing they are facing and adopt appropriate policies and procedures that match the risks comprehensively; including money laundering and terrorist financing risk management into their comprehensive risk management systems, build the anti-money laundering and counter-financing of terrorism requirements into compliance management, internal control system and ensure the money laundering and terrorist financing risk management systems could cover all types of products and services; establish an internal control system for anti-money laundering and counter-financing of terrorism in accordance with laws and manage the implementation by their branches and affiliates; establish a money laundering and terrorist financing risk management structure with a sound organisational structure and clear division of duties and set out the duties of the board of directors, the board of supervisors, senior management, business departments, anti-money laundering and counter-financing of terrorisms management department, internal audit department and other organisations in money laundering and terrorist financing risk management.

Special Fiscal and Tax Policies

The MOF and the STA have issued a series of special fiscal and tax policies designated for AMCs, mainly including:

- According to the Notice on Matters Concerning Related Tax Policies of China Cinda Asset Management Co., Ltd. and Other Three Financial Asset Management Companies (Cai Shui [2013] No. 56) (《關於中國信達資產管理股份有限公司等4家金融資產管理公司有關税收政策問題的通知》(財税[2013]56號)) promulgated on 28 August 2013 by the MOF and the STA, after the restructuring of an AMC being approved by the State Council, the entity and its branches undertaking the AMC's rights and duties shall enjoy, by analogy, the preferential tax policies stated in the Notice on Matters Concerning Tax Policies of China Cinda and Other Three Financial Asset Management Companies (Cai Shui [2001] No. 10) (《關於中國信達等4家金融資產管理公司税收政策問題的通知》(財税[2001]10號)), the Notice on Tax Policies Concerning Four Asset Management Companies Accepting Assets under the Capital during the Transfer (Cai Shui [2003] No. 21) (《關於4家資產管理公司接收資本金項下的資產在辦理過戶時有關税收政策問題的通知》(財税[2003]21號)) and the Notice on Matters Concerning China Cinda and the Other Three Financial Asset Management Companies Relating to the Receiving and Transfer of Listed Company's Securities (Stock) Exempted from Stamp Duty (Guo Shui Fa [2002] No. 94)) (《關於中國信達等四家金融資產管理公司受讓或出讓上市公司股權免徵證券(股票)交易印花税有關問題的通知》(國税發[2002]94號)), when acquiring, undertaking and disposing policy distressed assets and distressed assets disposed by restructured banks. The policy distressed assets refer to the distressed assets of related state-owned banks acquired by AMCs at book value within the scope and limit determined by the State Council. The distressed assets disposed out by restructured banks refer to the distressed assets acquired by AMCs from ICBC, CCB, BOC and BoCOM within the scope and limit of distressed assets set by the State Council.

- The Notice on Matters Concerning Tax Policies of China Cinda and other Three Financial Asset Management Companies (Cai Shui [2001] No. 10) (《關於中國信達等4家金融資產管理公司税收政策問題的通知》(財税[2001]10號)) promulgated jointly by the MOF and the STA on 20 February 2001 has laid out provisions on the tax preferential policies entitled to AMCs in the acquisition, undertaking and disposal of distressed asset of state-owned banks.

- According to the Notice on Tax Policies Concerning Four Asset Management Companies Accepting Assets under the Capital during the Transfer (Cai Shui [2003] No. 21) (《關於4家資產管理公司接收資本金項下的資產在辦理過戶時有關稅收政策問題的通知》(財稅[2003]21號)) promulgated jointly by the MOF and the STA and effective from 21 February 2003, an AMC, subject to the total capital amount verified by the MOF, during its take-over of assets of state-owned commercial banks will be exempted from deed tax and stamp duty during the transfer process.

- According to the Notice on Matters Concerning China Cinda and the other Three Financial Asset Management Companies Relating to the Receiving and Transfer of Listed Company's Securities (Stock) Exempted from Stamp Duty (Guo Shui Fa [2002] No. 94) (《關於中國信達等四家金融資產管理公司受讓或出讓上市公司股權免徵證券(股票)交易印花稅有關問題的通知》(國稅發[2002]94號)) promulgated by the STA, the receiving and transfer of a listed company's equities by AMCs within the scope of state owned banks' distressed assets acquired, managed and disposed of by them may be exempted from securities (stock) stamp duty upon request and approval.

Financing Management

Apart from obtaining capital contribution from shareholders and loans from commercial banks, AMCs, as financial enterprises, are allowed to conduct financing activities including interbank lending, issuance of financial bonds and asset securitisation.

The engagement of AMCs in the aforesaid financing activities shall conform with the provisions generally applicable to such financing activities conducted by financial institutions within the territory of the PRC. For example, Administrative Measures for the Interbank Lending (PBOC Order [2007] No. 3) (《同業拆借管理辦法》(中國人民銀行令[2007]第3號)) promulgated by the PBOC on 3 July 2007 and effective from 6 August 2007, Circular on Regulating Interbank Businesses of Financial Institutions (Yin Fa [2014] No. 127) (《關於規範金融機構同業業務的通知》(銀發[2014]127號) promulgated by the PBOC, the former CBRC, the CSRC, the former CIRC and the SAFE on and effective from 24 April 2014, Administrative Measures for the Issuance of Financial Bonds in the National Interbank Bond Market (PBOC Order [2005] No. 1) (《全國銀行間債券市場金融債券發行管理辦法》(中國人民銀行令[2005]第1號)) promulgated by the PBOC on 27 April 2005 and effective from 1 June 2005, Administrative Measures for the Pilot Securitisation of Credit Assets (Circular of the PBOC and CBRC [2005] No. 7) (《信貸資產證券化試點管理辦法》(中國人民銀行、中國銀監會公告[2005]第7號)) promulgated jointly by the PBOC and the former CBRC on and effective from 20 April 2005, Measures for Supervising and Administrating the Pilot Securitisation of Credit Assets by Financial Institutions (Order of the CBRC [2005] No. 3) (《金融機構信貸資產證券化試點監督管理辦法》(中國銀監會令[2005]第3號)) promulgated by the former CBRC on 7 November 2005 and effective from 1 December 2005, Notice on Relevant Matters Concerning Further Expanding the Pilot Securitisation of Credit Assets (Yin Fa [2012] No. 127) (《關於進一步擴大信貸資產證券化試點有關事項的通知》(銀發[2012]第127號)) promulgated by the PBOC, the former CBRC and MOF on and effective from 17 May 2012 and the Notice on the Process of Filing and Registration of Securitisation of Credit Assets (Yin Jian Ban Bian Han [2014] No. 1092) (《關於信貸資產證券化備案登記工作流程的通知》(銀監辦便函[2014]1092號)) promulgated by the former CBRC on 20 November 2014.

In addition, according to the Measures of CBIRC for the Implementation of Administrative Licensing Matters Concerning Non-bank Financial Institutions (《中國銀保監會非銀行金融機構行政許可事項實施辦法》), AMCs shall submit applications to the CBIRC as applicant for issuing debts and instruments for capital replenish and the CBIRC shall accept, review and decide on such applications.

Supervision over the Management of Distressed Assets of Financial Asset Management Companies

Acquisition of Distressed Assets

Acquisition of Policy NPLs

From 1999 to 2000, AMCs acquired NPLs of state-owned banks subject to the scope and limit determined by the State Council in accordance with the Regulations on Financial Asset Management Companies (《金融資產管理公司條例》). If the determined acquisition scope or limit is exceeded, it must be approved by the State Council as a special item; within the limit determined by the State Council, AMCs can acquire relevant loan principal and corresponding receivable interests recorded in profit and losses at book value and implement free transfer as for the receivable interests not recorded in profit and losses; the purchase of NPLs by AMCs means the procurement of rights by original creditor over the debtor and the debtor, guarantor and relevant parties concerned for the original loan contract shall continue to perform obligations as contracted.

Apart from their capital, according to the Regulations on Financial Asset Management Companies (《金融資產管理公司條例》), sources of funding for AMCs acquisitions of NPLs including: (1) a portion of the refinancing transferred from the PBOC to wholly state-owned commercial banks; and (2) issuance of financial bonds.

Acquisition of Commercialised Distressed Assets

From 2004 to 2005, in order to support the shareholding reform on commercial banks and standardise the process of disposal of distressed assets, AMCs had acquired NPLs from commercial banks through a commercial tender process in line with the national standardised arrangement and in accordance with the Measures on Disposal of Doubtful Loans in the Process of Restructuring of the Bank of China and China Construction Bank (《中國銀行和中國建設銀行改制過程中可疑類貸款處置管理辦法》) promulgated by the MOF on and effective from 4 June 2004.

In accordance with the Guidelines on Due Diligence in Disposal of Distressed Financial Asset (Yin Jian Fa [2005] No. 72) (《不良金融資產處置盡職指引》(銀監發[2005]72號)) promulgated by the former CBRC and the MOF on and effective from 18 November 2005, AMCs, prior to the acquisition of distressed financial asset, shall conduct in-depth due diligence in respect of the status, ownership, market prospects of the distressed financial asset to be acquired and the feasibility of such acquisition. Acquisition procedures shall be established with specific division of acquisition work. Approval procedures shall be carried out in strict compliance with limits of authority and the approval department shall be independent from other departments and directly report to senior management. In addition, AMCs shall also verify the legality, authenticity, completeness and validity of the data, contracts, agreements and ownership certificates of the assets in satisfaction of debt and mortgages (pledges) in relation to the assets to be acquired, legal documents in relation to the litigation as well as other relevant data within a reasonable period of time. Handover procedures shall also be completed in a timely manner to facilitate the receipt, management and maintenance of the transferred assets.

According to the Administrative Measures on the Batch Transfer of Distressed Assets of Financial Enterprises (《金融企業不良資產批量轉讓管理辦法》), financial institutions can combine distressed assets (10 items or above) of certain size together, and transfer to AMCs. These measures have given specific provisions for the scope of batch transfer of distressed assets as well as its procedures. According to the Notice of the General Office of the CBRC on Publishing the List of Local Asset Management Companies in Yunnan Province, Hainan Province, Fujian Province, Shandong Province, Guangxi Zhuang

Autonomous Region and Tianjin Municipality (CBRC Letter [2017] No. 702) (《中國銀監會辦公廳關於公布雲南省、海南省、湖北省、福建省、山東省、廣西壯族自治區、天津市地方資產管理公司名單的通知》(銀監辦便函[2017]702號)), the threshold for batch transfer was lowered from 10 items to 3 and it also stipulated that "batch transfer" means a financial instruction packs three or more distressed assets and transfers the package to AMCs.

Acquisition and Custody of Distressed Assets of Non-Financial Enterprises

According to the approval of the MOF and the former CBRC, starting from June 2010, we have been permitted to engage in the purchase and custody of distressed assets business of non-financial enterprises.

According to the Notice on Regulating the Acquisitions of Non-Performing Assets of Financial Asset Management Companies (Yin Jian Ban Fa [2016] No. 56) (《關於規範金融資產管理公司不良資產收購業務的通知》(銀監辦發[2016]56號)) promulgated on and effective from 17 March 2016, we duly conduct our acquisitions of non-performing assets of financial asset management companies. AMCs shall strictly follow the definitions of "non-performing assets of financial asset management companies" as stipulated in the Measures for the Administration of the Non-Performing Asset Business Conducted by Financial Asset Management Companies (《金融資產管理公司開展非金融機構不良資產業務管理辦法》). AMCs shall value companies' assets through assessment and evaluation process and shall only acquire existing distressed assets from non-financial institutions and shall not acquire their normal assets. AMCs shall use actual value or physical assets as consideration when acquiring distressed debts or assets from non-financial institutions and shall not acquire unreal debts or assets such as accounts receivables that have been forged or have not occurred. AMCs shall not conduct such acquisition which, in essence, is a funding to a company or a project. AMCs shall conduct due diligence properly to fully understand and collect relevant materials that prove the authenticity, effectiveness and legality of the acquisition target and that they were classified as distressed assets. Those materials including but not limited to basic contracts and agreements for businesses, materials proving the background of trades, financial statements of both parties, counterparties' bank statements and other materials proving receipt and payment of funds, confirmation on the relationship between the creditor and debtor and proof of the nature of assets, etc. In addition, AMCs shall conduct in-depth investigation on the acquisition target, transferor of the creditor's rights, the debtor and the guarantee, and collect relevant materials on credit information, public opinion information and whether it involves private lending and other materials comprehensively. AMCs shall ensure the independence of the due diligence and shall not rely solely on the materials provided by the seller of the assets, debtor or other counterparties of the transaction.

Distressed Asset Management and Disposal

The Guidelines on Due Diligence in Disposal of Distressed Financial Asset (《不良金融資產處置盡職指引》) specify the due diligence requirements on performance of the AMCs in respect of management, preliminary investigation, method selection and application as well as pricing of the distressed assets disposal.

In addition to the aforesaid guidelines which set out due diligence requirements on the performance of AMCs in respect of the disposal of distressed assets, AMCs shall also comply with another major regulation in respect of disposal of distressed assets, namely, the Administrative Measures of Assets Disposal by Financial Asset Management Companies (Revised) (Cai Jin [2008] No. 85) (《金融資產管理公司資產處置管理辦法(修訂)》(財金[2008]85號)) revised by the MOF and effective from 9 July 2008. Such measures and relevant provisions for management and disposal of distressed assets are given in detail as below:

Audit Units and Approval

AMCs and their branch offices shall set up a special audit unit for asset disposals and review the asset disposal plan. Except for disposal plans that have received effective decisions, judgements and rules from the courts or arbitral bodies, AMCs shall not dispose of these assets unless the disposal plan is approved by the special audit unit for asset disposals.

Implementation of the Disposal

AMCs may dispose of assets in forms such as debt recovery, lease, transfer, restructuring, asset exchange, entrusted disposal, DES, and asset securitisation; and according to the law, through means of announcement, litigation, etc., to protect the rights of creditors and recover debts from the debtor and the guarantor.

The transfer of assets by AMCs, in principle, should be through public auction, including but not limited to, bidding, auction, offer or invitation to public bidding, public solicitation for quotes, etc. Without public auction for the disposal procedure, AMCs shall not transfer assets by way of agreement to non-state-owned assignees.

AMCs, during the entrusted disposal of assets, must ensure that recovery value being greater than the disposal cost, namely the recovery value should be sufficient to pay the disposal fees and legal costs, notary fees, asset preservation charge, auction commission and other direct expenses incurred during the entrusted disposal and there should still be some excess amount left.

AMCs shall establish asset preservation and recovery systems, and continue to retain the right of recourse for undisposed and partially disposed assets, and continue to collect the receivable entitlements over the remaining assets (including accrued interest, off-balance sheet interests receivable). After receiving assets in exchange of debts, AMCs must safeguard such assets, complete the transfer procedures in a timely manner, and choose a proper time to dispose of the assets with the objective of maximising the recovery, and shall not deliberately delay or illegally use the assets for themselves. AMCs should strengthen the maintenance of assets received in exchange of debts and set up a regular clearance system to avoid depreciation of assets resulting from improper management.

Management of the Disposal

AMCs should establish and improve asset disposal project accounting, implement budget management for each asset disposal project, enhance plan management over the recovery of assets, disposal costs and profit and losses of disposal, and continuously track and monitor project progress; follow relevant provisions for management of national archives and strictly enforce archiving of asset disposal records. AMCs and individuals shall keep the asset disposal plan and its results confidential.

Division of Disposal Authorisations

AMCs should take reasonable and prudent methodologies to determine the break-even point of disposal. For asset disposal projects with expected recovery value reaching or exceeding the break-even point, AMC may, as the case may be, determine the authorisation amount for branch offices based on the acquisition cost of the assets. For those not reaching the break-even point, AMCs may, as the case may be, determine the authorisation amount for branch offices based on the estimated loss.

Appraisal of Distressed Assets

During asset disposal, AMCs shall adhere to the principles of fairness and reasonableness, cost benefit and efficiency and, subject to the situation of each asset disposal project to determine the necessity of appraisal and specific appraisal methods.

During the disposal of credit assets, AMCs may engage an external independent company to conduct solvency analysis or take due diligence or internal appraisal methods to determine the asset value, without filing with the MOF for the asset appraisal procedure.

When AMCs dispose of assets by means of DES or sale of equity assets (including those under the item of DES approved by the State Council) or sale of real estate, except for the tradable equity assets of listed companies, an external independent evaluation entity must be assigned to evaluate the assets. Equity assets under the item of DES approved by the State Council shall be filed according to relevant provisions for the appraisal of national state-owned assets; other equity assets and real estate disposal projects do not need to be filed with the MOF, but should make internal filings by AMCs.

AMCs shall determine the discounted price or bottom price of assets to be disposed of with reference to external or internal valuation.

Methods of Sale of Equity Assets

When AMCs dispose of equity assets by means of sale, AMCs may transfer by agreement directly to the former state-owned investors or enterprises designated by the state-owned assets supervision and administration department where the transfer of unlisted company's equity assets (including those under the project of DES approved by the State Council) meets the following conditions: (1) there are special requirements on assignees due to national laws and administrative regulations; (2) equity assets of core and key pro-military enterprises engaging in strategic weapons production, concerning national strategic security and involving in national core secrets; (3) resource-based, monopoly-based equity assets related to national economic security and national welfare and the people's livelihood; (4) other equity assets identified by relevant government departments as unsuitable for public transfer.

In addition to the above circumstances for transfer by agreement, the transfer of equity assets under the DES item approved by the State Council and other unlisted company's equity assets with an value over RMB10 million shall, in accordance with procedures under relevant national provisions, be made public in the lawfully established provincial level or above trading market. The initial listing price shall not be lower than the asset' appraisal price. When the transaction price is lower than 90 per cent. of the appraisal price, the transaction shall be suspended and internal disposal approval procedure of AMCs shall be re-performed.

Announcement for Disposal of Distressed Assets

According to the Administrative Measures of the Asset Disposal Announcement of Financial Asset Management Companies (Revised) (Cai Jin [2008] No. 87) (《金融資產管理公司資產處置公告管理辦法(修訂)》(財金[2008]87號)) as amended by the MOF and CBRC and effective from 11 July 2008, the asset scope applicable for the asset disposal announcement of AMCs includes various purchased (including transfers with zero consideration) distressed assets and other assets lawfully entitled to disposal rights, including but not limited to:

- credit assets: NPLs acquired by AMCs and interests thereupon;
- equity assets: equities of DES Companies held by AMCs and various equities of enterprises received from other forms such as asset replacement and assets in exchange of debt;
- real assets: various real assets which AMCs are legally entitled to the ownership of and disposition, including foreclosed goods and those recovered by disposal of mortgage (pledge) loans; and
- other equity assets: intangible assets, etc.

After the disposal plan is formulated for assets within the scope of announcement, the asset disposal announcement shall be made both on the website and newspaper.

Supervision and Inspection

AMCs shall establish a due diligence and post-disposal inspection system for asset disposal, and audit the asset disposal by branch offices on a regular or irregular basis.

In addition to the special regulations in the Administrative Measures of Asset Disposal by Financial Asset Management Companies (revised) (《金融資產管理公司資產處置管理辦法(修訂)》) mentioned above, AMCs shall, in the process of asset disposal, comply with the regulations regarding the management of state-owned financial assets such as the Administrative Measures of Transfer of State-owned Assets in Financial Enterprises (MOF Order No.54) (《金融企業國有資產轉讓管理辦法》(財政部令第54號)) promulgated by the MOF on 17 March 2009 and effective from 1 May 2009, the Interim Administrative Measures of Appraisal Supervision of State-owned Assets in Financial Enterprises (MOF Order No. 47) (《金融企業國有資產評估監督管理暫行辦法》(財政部令第47號)) promulgated by the MOF on 12 October 2007 and effective from 1 January 2008, and the Notice of the MOF on Issues Concerning the Supervision and Administration of Appraisals of State-owned Assets of Financial Enterprises (Cai Jin [2011] No. 59) (《財政部關於金融企業國有資產評估監督管理有關問題的通知》(財金[2011]59號)) promulgated by the MOF and effective from 16 June 2011.

Foreign Debt Administration During Disposal of Assets

According to the Administrative Measures for Registration of Foreign Debts (Hui Fa [2013] No. 19) (《外債登記管理辦法》(匯發[2013]19號)) and its attached Guidelines on the Administration of Registration of Foreign Debts (《外債登記管理操作指引》) promulgated by the SAFE on 28 April 2013 and effective from 13 May 2013, AMCs transferring domestic distressed assets to foreign parties shall, within 15 working days after the receipt of the filing or approval by the NDRC, apply for the approval by the SAFE regarding the receipt and payment in foreign currency and the exchange management arrangement during the process of transfer of the distressed assets to foreign entities. All overseas income AMCs obtained from the transfer of distressed assets to foreign entities shall be transferred back to China in full amount immediately. When handling the filing and registration of the transfer of distressed asset offshore, foreign investors shall state clearly the security made by the guarantor to foreign investors due to the transfer of distressed assets offshore and the detailed list of the securities. Such securities shall be excluded from the offshore security management, therefore no approval or registration under offshore security management is required.

Lawsuits related to Acquisition, Management and Disposal of Distressed Assets

According to the Provisions on Issues Concerning Applying the Law in the Trial of the Cases Involving Assets Resulting from Acquisition, Management and Disposal of NPLs of State-owned Banks by Financial Asset Management Companies (Fa Shi [2001] No. 12) (《關於審理涉及金融資產管理公司收購、管理、處置國有銀行不良貸款形成的資產的案件適用法律若干問題的規定》(法釋[2001]12號)) promulgated by the Supreme People's Court on 11 April 2001 and effective from 23 April 2001:

- after taking state-owned banks' debt by an AMC, for cases already brought by the original creditor bank but pending prior to the transfer, the people's court may, change the plaintiff of such cases to the AMC who has taken the debt upon an application made by the original creditor bank or the AMC;

- the lawsuit brought by an AMC against the debtor should be handled by the people's court at the domicile of the defendant. Where an original creditor bank has entered into an agreement with the debtor regarding the jurisdiction, such agreement shall remain in force subject to laws;

- where an original creditor bank publicises a credit transfer announcement or notification on national or provincial newspapers after an AMC takes over state-owned bank credits, the people's court can determine that the creditor has performed its notification obligation stipulated in Clause 80.1 in the Contract Law of the People's Republic of China (《中國人民共和國合同法》);

- where a debtor counterpleas that the original creditor bank does not perform its notification obligation for the transfer during a case hearing, the people's court may summon the original creditor bank to the court for investigation on the transfer and request the bank to notify the debtor about the transfer; and

- where a debtor stamps on the credit transfer agreement or notification or signs to acknowledge the receipt of debt collection notice, limitation period interruption will occur. Where an original creditor bank includes debt collection information in the credit transfer announcement or notification published on national or provincial newspaper, such announcement or notification can be served as the evidence of limitation interruption.

According to the Decision of the Supreme People's Court to Repeal Some Judicial Interpretations and Relevant Regulatory Documents (《最高人民法院關於廢止部分司法解釋及相關規範性文件的決定》) promulgated by the Supreme People's Court on 29 December 2020 and effective from 1 January 2021, the Provisions on Issues Concerning Applying the Law in the Trial of the Cases Involving Assets Resulting from Acquisition, Management and Disposal of NPLs of State-owned Banks by Financial Asset Management Companies (Fa Shi [2001] No. 12) (《關於審理涉及金融資產管理公司收購、管理、處置國有銀行不良貸款形成的資產的案件適用法律若干問題的規定》(法釋[2001]12號)) were repealed. The new judicial interpretations are in the process of being drafted.

According to the Reply of the Supreme People's Court on the Letter for Instructions on Several Issues regarding the Implementation of the Judicial Interpretation of the Supreme People's Court on the "12 Articles" (Fa Han [2002] No. 3) (《對<關於貫徹執行最高人民法院"十二條"司法解釋有關問題的函>的答覆》(法函[2002]3號)) promulgated by the Supreme People's Court and effective from 7 January 2002, where the limitation period interruption resulted from the publication of a credit transfer announcement or notification with collection information on the national or provincial newspaper by an AMC, it can take effect retrospectively to the date of the AMC accepting the transfer of credits of the original creditor bank; for credits undertaken, the AMC can obtain the evidence for limitation period interruption by publishing collection announcement in the aforesaid newspaper.

According to the Notice on the Issues Regarding the Protection of Financial Credits According to Law and Preventing Any Loss of State-owned Assets in Civil Trial and the Enforcement Thereof (Fa [2005] No. 32) (《關於在民事審判和執行中工作依法保護金融債權防止國有資產流失問題的通知》(法[2005]32號)) promulgated by the Supreme People's Court and effective from 16 March 2005 as well as Certain Opinions on Providing Judicial Safeguard and Legal Services to Maintain the All-round and Sustainable Development of National Financial Security and Economy (Fa Fa [2008] No. 38) (《關於為維護國家金融安全和經濟全面協調可持續發展提供司法保障和法律服務的若干意見》(法發[2008]38號)) effective from 3 December 2008, it requires the people's court of each level to protect financial credits and prevent any loss of state-owned assets to the largest extent in trial of bad financial credit dispute cases.

According to the Supplementary Notice on the Acquisition and Disposal of Distressed Assets by Financial Asset Management Companies (Fa [2005] No. 62) (《關於金融資產管理公司收購、處置銀行不良資產有關問題的補充通知》(法[2005]62號)) promulgated by the Supreme People's Court on and effective from 30 May 2005, where the distressed assets are disposed by way of debt transfer after a state-owned commercial bank (including state-owned holding bank) transfers NPLs to an AMC or the AMC accepts the transfer of NPLs, judicial interpretations issued by the Supreme People's Court can be applied, such as the Reply of the Supreme People's Court on the Letter for Instructions on Several Issues regarding the Implementation of the Judicial Interpretation of the Supreme People's Court on the "12 Articles" (《對<關於貫徹執行最高人民法院"十二條"司法解釋有關問題的函>的答覆》). Where a state-owned commercial bank (including state-owned holding bank) transfers NPLs to an AMC or the AMC acquires and disposes NPLs, the corresponding security shall also be transferred without requiring the consent from the guarantor, and that the guarantor shall continue to undertake its guarantee responsibility to the transferee within the scope of original security.

According to the Notice on Issues Concerning the Trial of Claim Dispute Cases Involving the Separation of Self-established Companies from State-owned Commercial Banks (Fa [2008] No. 130) (《關於審理國有商業銀行剝離其自辦公司的債權糾紛案件有關問題的通知》(法[2008]130號)) promulgated by the Supreme People's Court and effective from 14 April 2008, as for such cases already under procedure, the people's court shall give guidance to the parties concerned for negotiation and adopt possible mediatory methods to solve disputes. If the disputes cannot be settled by mediation, and the transferee directly accepts the distressed debts from the AMC, the people's court shall give a judgement to cancel the debt transfer contract between the AMC and the transferee. Where the transferee obtains the debts by reassignment, the people's court shall give a judgement to cancel a series of debt transfer contracts between the AMC and the transferor as well as between the transferor and the transferee. After the debt transfer contract is ordered to be cancelled, the transferee can claim for compensation for loss against the transferor which shall not exceed the actual loss.

According to the Summary of the Symposium on the Trial of Cases Involving the Distressed Debt Transfer (Fa Fa [2009] No. 19) (《關於審理涉及金融不良債權轉讓案件工作座談會紀要》(法發[2009]19號)) promulgated by the Supreme People's Court and effective from 30 March 2009, in a lawsuit where a transferee claims creditor's rights against a SOE debtor, the SOE debtor proposes a plea of nullity for distressed debt transfer contract on the ground that the distressed debt transfer caused damage on the state-owned assets, the people's court shall advise the debtor to pursue the nullity of distressed debt transfer contract in the same people's court separately. If no separate procedure is petitioned by the SOE debtor, the people's court will not support its plea. If a separate procedure for the nullity of distressed debt transfer contract is petitioned by the SOE debtor, the people's court shall suspend the hearing of transferor's claim for creditor's rights against the SOE debtor. After the suit for nullity of distressed debt transfer contract is heard, two cases will be proceeded together.

According to the Notice of the Supreme People's Court on the Issue of the Validity of External Guarantee Contracts involved in the Trial of Cases of Utilisation of Foreign Capitals by Financial Asset Management Companies in Disposing of Distressed Debts (Fa Fa [2010] No. 25) (《關於審理金融資產管理公司利用外資處置不良債權案件涉及對外擔保合同效力問題的通知》(法發[2010]25號)) promulgated by the Supreme People's Court and effective from 1 July 2010, as for cases of disputes arising from using foreign capitals to dispose of distressed debts by AMCs before 1 January 2005, if a party concerned can provide evidence to prove that the relevant formalities for approval or registration have been handled in accordance with the prevailing provisions, the people's court shall not determine the security contract invalid on the ground that it is not approved by or registered with the competent authorities. As for such cases of disputes arising from AMCs which handled distressed debts by using foreign funds after 1 January 2005, if a party concerned can provide evidence to prove that an AMC has informed the original guarantor of the principal contract, a foreign investor or his agent has clearly stated the specific security in the materials submitted for handling the filing and registration of distressed assets transfer, and that the transfer of distressed assets is filed and registered upon the approval of a local foreign exchange authority, the people's court shall not deem the security contract as invalid on the ground that the transfer is made without the consent of the guarantor or without the approval of or registration with the competent authorities.

Debt-to-Equity Swap

Examination and Approval of Debt-to-Equity Swap

Since 1999, AMCs have been converting distressed debt obtained by acquisition of NPLs of state-owned large- and medium-sized enterprises from banks into equities according to the procedures required under the relevant national policies and requirements. In accordance with Regulations on Financial Asset Management Companies (《金融資產管理公司條例》), AMCs may convert the creditor rights obtained by acquisition of NPLs of state-owned banks into the equity of the borrowing enterprises; the DES companies shall be recommended by State Economic and Trade Commission ("**SETC**") to the AMCs. AMCs shall independently evaluate the recommended enterprises, formulate the DES proposals and sign DES agreements with relevant enterprises. The proposals and agreements for DES shall be reviewed by the SETC, the MOF and the PBOC, and submitted to the State Council for approval before enforcement.

Management and Disposal of Debt-to-Equity Swap

In accordance with the Regulations on Financial Asset Management Companies (《金融資產管理公司條例》) and the Circular of the General Office of State Council on Forwarding 'Opinions on Further Improvement of Debt-to-Equity Swap Work of State-owned Enterprises' of SETC, the MOF and the PBOC (Guo Ban Fa [2003] No. 8) (《國務院辦公廳關於轉發國家經貿委、財政部、人民銀行<關於進一步做好國有企業債權轉股權工作意見>的通知》(國辦發[2003]8號) promulgated on and effective from 23 February 2003, the enterprises implementing DES shall change the operation mechanism, establish standardised corporate governance structure and strengthen enterprise management in accordance with the requirements of modern enterprise system; AMCs, after DES, as the shareholders of the enterprises, may dispatch their personnel to participate in the board of directors and board of supervisors of the enterprises to legally exert their shareholder's rights. In the agreements and proposals for DES entered into by AMCs and existing enterprises, the terms under which the existing enterprise shall acquire the DES companies equities obtained by the AMC in full shall be abolished.

In accordance with the Notice of the General Office of the State Council on Transmitting the Opinions of the MOF and Other Departments on Promoting and Regulating State-owned Enterprises' Debt-to-equity Swap (Guo Ban Fa [2004] No. 94) (《國務院辦公廳轉發財政部等部門關於推進和規範國有企業債權轉股權工作意見的通知》(國辦發[2004]94號)) promulgated on and effective from 30 December 2004, existing state-owned investors of DES companies and AMCs shall establish new companies according to the proposals for DES approved by the State Council and in compliance with relevant laws and regulations such as the Company Law. Shareholders of the new companies shall standardise and improve corporate governance, and further specify and adjust the duties and authority of shareholders' meeting, board of directors, board of supervisors and senior management in accordance with the requirements of modern enterprise system. Shareholders of the new companies shall enjoy and exercise their rights according their shareholding.

In accordance with the Provisional Regulatory Guidelines for Supervision of Financial Asset Management Companies on a Financial Statements Consolidation Basis (Provisional) (《金融資產管理公司併表監管指引(試行)》), DES companies held by AMCs in short term or on a transitional basis may be excluded from the scope of supervision of AMCs on a financial statement consolidation basis. AMCs shall formulate withdrawal plans for DES companies held on a transitional basis and submit the same to the CBRC for filing. DES companies from which the AMC has not withdrawn after the scheduled withdrawal period and is under its actual control shall be included in the scope of supervision on a financial statement consolidation basis.

In accordance with regulatory requirements by the MOF, DES equities and equities in satisfaction of debt converted from credit assets held by AMCs shall not be reduced during the listing of enterprises and shall proportionally reduce social insurance contribution payable by such equities. In addition to the above two kinds of equities, reduced holding of state-owned shares of enterprises invested by AMCs when listed at the domestic and/or overseas stock exchanges shall be subject to regulations stated in the Implementation Plan for Transferring Part of State-Owned Capital to Fortify Social Security Funds (Guo Fa [2017] No. 49) (《劃轉部分國有資本充實社保基金實施方案》(國發[2017]49號)) promulgated by the State Council on and effective from 9 November 2017 and Notice of the MOF, the Ministry of Human Resources and Social Security (the "**MHRSS**"), the SASAC, the STA and the CSRC on the Full Implementation for Transferring Part of State-Owned Capital to Fortify Social Security Funds (Cai Zi [2019] No. 49) (《財政部、人力資源社會保障部、國資委、稅務總局、證監會關於全面推開劃轉部分國有資本充實社保基金工作的通知》(財資[2019]49號)) promulgated by the MOF, the MHRSS, the SASAC, the STA and the CSRC on and effective from 9 October 2019.

For further detailed provisions on the disposal of DES assets, please refer to "*Distressed Asset Management and Disposal*" of this section.

Commercialised Debt-to-Equity Swap

Apart from converting the creditor rights into equities as an investment according to the national policies and procedures as mentioned above, AMCs may also convert the creditor rights held by them into equities in accordance with the negotiation with the debtors and relevant shareholders. Pursuant to Administrative Provisions on the Registration of Companies' Registered Capital (《公司註冊資本登記管理規定》) promulgated by the State Administration for Industry and Commerce of the PRC (the "**SAIC**") on 20 February 2014 and effective from 1 March 2014, the creditors may convert the creditor rights owned by them legally in the companies with limited liability or companies limited by shares which are incorporated within the territory of China into equities, and increase the registered capitals of the companies.

Custody and Liquidation of Distressed Entities

In accordance with Administrative Measures of Authorised Agency Business Risks in Financial Asset Management Companies (《金融資產管理公司委託代理業務風險管理辦法》), besides the distressed asset management and disposal businesses entrusted by the MOF, the PBOC and state-owned banks and other financial institutions and enterprises, the major scope of entrusted agency businesses of AMCs also includes winding up and liquidation businesses of financial institutions approved by financial regulation authorities and other custody businesses approved by competent authorities.

AMCs may also participate in liquidation management of enterprise bankruptcy as custodians. In accordance with the Regulations on Designation of Custodians for Hearing of Enterprise Bankruptcy Cases (Fa Shi [2007] No. 8) (《關於審理企業破產案件指定管理人的規定》(法釋[2007]8號)) promulgated by the Supreme People's Court of China on 12 April 2007 and effective from 1 June 2007, if the liquidation team is to be designated as the custodian, the people's court may designate relevant government departments, social agencies included into custodian register and AMCs as the members of such liquidation team.

Investment and Asset Management Business

Proprietary Investment

Equity Investment

Pursuant to the Provisional Regulatory Guidelines for Supervision of Financial Asset Management Companies on a Financial Statements Consolidation Basis (Provisional) (《金融資產管理公司併表監管指引(試行)》) when AMCs make use of their capital for equity investment, entities with legal person status invested by and under actual control of AMCs shall be included in the scope of consolidated supervision. The CBIRC is authorised to determine and adjust the scope of consolidated supervision according to the equity structural changes and the risk category of the AMCs. The investees shall also be included in the consolidated supervision if the investees are not controlled by the AMCs but on the basis of risk correlation their general risks may have material impacts on the financial conditions and risk level of the AMCs, or the damages and loss incurred by their compliance risks and reputation risks would have material impacts on the reputation of the AMCs.

AMCs may exclude the following organisations from the consolidated supervision, namely organisations which are closed or declared bankruptcy or in the liquidation procedure due to closure, investees which are intended to be sold within three years with AMCs holding their equity interest of 50 per cent. or above, overseas subsidiaries which are subject to the foreign exchange regulations of the places where they are located, other contingencies or restrictions on capital allocation, or DES companies which are held by AMCs in short term or on a transitional basis.

Trust and Wealth Management Product Investment

In accordance with the Circular on Standardisation of Trust and Financing Product Investments of Financial Asset Management Companies (Yin Jian Fa [2011] No. 92) (《關於規範金融資產管理公司投資信託和理財產品的通知》(銀監發[2011]92號)) promulgated by the former CBRC and the MOF on and effective from 28 September 2011, the AMCs which have carried out shareholding reform and are intending to engage in trust and financing product investments shall perform with corresponding corporate governance procedures while the companies that have not carried out shareholding reform shall report to the MOF for approval. AMCs shall pay close attention to the risk transmission and transfer that may be caused by investments in trust and financing products through their affiliates so as to strengthen risk separation and prevent investment risks.

In accordance with the Circular on Risk Alerts for Such Businesses as Trust Credit Enhancement and Future Acquisition by Financial Asset Management Companies (Yin Jian Si Fa [2012] No. 4) (《關於金融資產管理公司開展信託增信及其遠期收購等業務風險提示的通知》(銀監四發[2012]4號)) promulgated by the former CBRC and effective from 17 January 2012, without the approval of regulatory authorities, AMCs shall not conduct businesses such as trust product guarantee and future acquisition of distressed assets, and this kind of project that has been signed shall be liquidated as soon as possible, and risk prevention and control work shall also be conducted.

Private Equity Asset Management

Management Authorities

In accordance with the Circular on Division of Duties of Private Equity Fund Management (《關於私募股權基金管理職責分工的通知》) published by the State Commission Office for Public Sector Reform, the CSRC is responsible for the supervision and administration of private equity funds and the implementation of appropriate supervision to protect investors' interests and rights while the NDRC is responsible for formulating the policies and measures to facilitate the development of private equity funds, and determining the standards and regulations for the government to invest in private equity funds through discussion with the competent departments.

Real Estate Business

Establishment and Qualification

In accordance with the Administrative Regulations on Urban Real Estate Development and Operation (2020 Second Amendment) (《城市房地產開發經營管理條例》(2020年第二次修訂)) promulgated by the State Council on and effective from 29 November 2020, the establishment of real estate development enterprises shall not only comply with the incorporation conditions of enterprises specified by relevant laws and administrative rules, but also shall have registered capital of RMB1 million or above and four or more full-time technicians in real estate and architectural engineering sectors with respective qualification certificates and two or more full-time accountants engaging with qualification certificates. Local governments in different provinces, autonomous regions and municipalities can set higher standards on the registered capital of real estate development enterprises and the requirements of the professionals than the aforesaid in accordance with local circumstances.

In accordance with the Administrative Regulations on Qualifications of Real Estate Development Enterprises (Order of the Ministry of Construction No. 77) (《房地產開發企業資質管理規定》(建設部令第77號)) promulgated on 29 March 2000 and amended on 4 May 2015, real estate enterprises shall be divided into four qualification levels as per enterprises' conditions. The enterprises passing qualification examination will be issued with qualification certificates of corresponding levels by qualification examination departments. The real estate enterprises failing to obtain real estate development qualification certificates shall not engage in real estate development and operation.

Business Operation

In accordance with the relevant regulations, when engaging in the real estate development project within the territory of China, the enterprises shall obtain approvals or permissions from the relevant competent departments, such as land use right certificates, land planning licences, construction project planning licences and the construction licences and fulfil the condition for sale or presale of commodity housing.

Real Estate Regulations

To stabilise housing prices, the State Council and relevant ministries and commissions issued a series of policies and measures to strengthen the real estate market regulation, including: (1) Circular on Promoting Land Saving and Intensive Use (Guo Fa [2008] No. 3) (《關於促進節約集約用地的通知》(國發[2008]3號)) promulgated by the State Council and implemented on 3 January 2008; (2) Circular on Resolutely Suppressing the Soaring of Housing Prices in Some Cities (Guo Fa [2010] No. 10) (《關於堅決遏制部分城市房價過快上漲的通知》(國發[2010]10號)) promulgated by the State Council and effective from 17

April 2010; (3) Circular on Issues of Further Improvement of Real Estate Regulation (Guo Ban Fa [2011] No. 1) (《關於進一步做好房地產市場調控工作有關問題的通知》(國辦發[2011]1號)) promulgated by the General Office of the State Council and effective from 26 January 2011; (4) Circular on Issues Relating to Further Regulation of Real Estate Market (Guo Ban Fa [2013] No. 17) (《關於繼續做好房地產市場調控工作的通知》(國辦發[2013]17號)) promulgated by the General Office of the State Council and effective from 26 February 2013; and (5) Notice on Issues Relating to Further Regulation of Real Estate Market (《關於進一步做好房地產市場調控工作有關問題的通知》) promulgated by the Ministry of Housing and Urban-Rural Development on and effective from 19 May 2018, etc.

Financial Services

Securities Business

Presently, the CSRC is the industry regulatory authority of securities companies and the businesses engaged by them. Securities companies are regulated by the CSRC mainly in accordance with the following laws, regulations and normative documents: Securities Law (《證券法》), Regulations on Supervision and Administration of Securities companies (《證券公司監督管理條例》), Provisions on the Administration of Equities of Securities Companies (《證券公司股權管理規定》), Trial Provisions on Establishment of Subsidiaries by Securities Companies (《證券公司設立子公司試行規定》), Provisions on Regulation of Subsidiaries of Securities Companies (《證券公司分支機構監管規定》), Administrative Measures for Qualifications of Securities Practitioners (《證券業從業人員資格管理辦法》), Measures for the Supervision and Administration of Qualifications of Directors, Supervisors and Senior Management of Securities Companies (《證券公司董事、監事和高級管理人員任職資格監管辦法》), Rules for Governance of Securities Companies (《證券公司治理準則》), Measures for the Compliance Management of Securities Companies and Securities Investment Fund Management Companies (《證券公司和證券投資基金管理公司合規管理辦法》), Guidelines for Internal Control of Securities Companies (《證券公司內部控制指引》), Provisions on Classified Regulation of Securities Companies (《證券公司分類監管規定》), Regulations on Risk Disposal of Securities Companies (《證券公司風險處置條例》), Administrative Measures of Risk Control Indices of Securities Companies (《證券公司風險控制指標管理辦法》), Provisions on Calculation Basis for Risk Control Indicators of Securities Companies (《證券公司風險控制指標計算標準規定》), and Circular on Matters Regarding Information Publication by Securities Companies (《證券公司公示有關事項的通知》), etc.

Industry Access

In accordance with the Securities Law (President Order No.37) (《證券法》(主席令第37號)) amended by National People's Congress of the PRC on 28 December 2019 and effective from 1 March 2020, the incorporation of a securities company shall be examined and approved by the CSRC and the establishment of a securities company shall meet the following requirements: (1) articles of association that meets relevant laws and administrative rules shall be formulated; (2) the major shareholders and actual controller of the company have are in good financial condition and enjoy good credit standing, without major law or rule violation record in the last three years; (3) its registered capital complies with relevant provisions in the Securities Law; (4) the directors, supervisors, senior management and practitioners meet the requirements as set out in the Securities Law; (5) with robust risk management and internal control systems in place; (6) having qualified business premises, facilities and information technology systems; and (7) other requirements imposed by laws, administrative regulations and securities regulatory authority of the State Council approved by the State Council.

Restriction on Shareholding by Foreign Investors

According to the Measures for the Administration of Foreign-Funded Securities Companies (《外商投資證券公司管理辦法》) promulgated by the CSRC on and effective from 20 March 2020, the cumulative shareholding in securities companies (directly or indirectly) held by foreign investors shall in compliance with the State's arrangements on the opening-up of the securities industry to foreign investors. According to Special Administrative Measures for the Access of Foreign Investment (Negative List) (2020 version) (《外商投資准入特別管理措施(負面清單)(2020年版)》) promulgated by the NDRC and the Ministry of Commerce (the "**MOFCOM**") on 23 June 2020 and effective from 23 July 2020, the maximum limit on shareholding in securities companies, securities investment fund management companies, futures companies and life insurance companies held by foreign investors has been removed.

Business Scope

In accordance with the provisions of the Securities Law and the approval of the CSRC and having obtained licences for operating securities businesses, a security company may engage in some or all of the following activities: (1) securities brokerage; (2) securities investment consultation; (3) financial advisory matters relating to securities trading or securities investment; (4) securities underwriting and sponsorship; (5) securities margin trading; (6) market making tradings; (7) proprietary trading of securities; and (8) other securities businesses.

Regulation and Administration

In accordance with the Provisions on the Classified Regulation of Securities Companies (CSRC Notice [2020] No. 42) (《證券公司分類監管規定》(中國證監會公告[2020]42號)) promulgated by the CSRC on and effective from 10 July 2020, securities companies are divided into five categories, including 11 levels – A (AAA, AA, A), B, (BBB, BB, B), C (CCC, CC, C), D and E by the CSRC from high to low based on the risk management capacities of securities companies. Based on the classified regulation principle, the CSRC requires each category of securities companies to comply with corresponding standards for risk control indicators and calculation ratio for risk capital reserves and distinguishes them in allocation of regulatory resources, on-site inspection and off-site inspection frequency.

In accordance with Measures for the Risk Control Indexes of Securities Companies (CSRC Order No. 166) (《證券公司風險控制指標管理辦法》(中國證監會令166號)) promulgated by the CSRC on and effective from on 20 March 2020, if a securities company engages in the securities brokerage business, its net capital shall be not less than RMB20 million. If a securities company engages in any of such businesses as securities underwriting and sponsorship, proprietary trading of securities, securities asset management and other securities businesses, its net capital shall be not less than RMB50 million. If a securities company engages in the brokerage business and concurrently in any one of such businesses as securities underwriting and sponsorship, proprietary trading of securities, securities asset management or other securities businesses, its net capital shall not be less than RMB100 million. If a securities company engages in two or more of such businesses as securities underwriting and sponsorship, proprietary trading of securities, securities asset management and other securities businesses, its net capital shall not be less than RMB200 million.

A securities company shall consistently conform to the risk control index standards as follows: (1) the risk coverage ratio[7] shall fall below 100 per cent.; (2) the capital leverage ratio[8] shall not fall below 8 per cent.; (3) the liquidity coverage ratio[9] shall not fall below 100 per cent.; and (4) the net stable funding ratio[10] shall not fall below 100 per cent.

Futures Business

At present, the CSRC is the regulatory authority of futures companies and relevant businesses engaged by them. Futures companies are regulated by the CSRC mainly in accordance with the following laws, regulations and normative documents: Administrative Measures on Supervision of Futures Companies (《期貨公司監督管理辦法》), Regulations on Administration of Futures Trading (《期貨交易管理條例》), Measures for the Administration of Foreign-Funded Futures Companies (《外商投資期貨公司管理辦法》), Administrative Measures of Futures Practitioners (《期貨從業人員管理辦法》), Provisions on Regulating Issues Concerning Holding Controlling Shares or Holding Shares in Futures Companies (《關於規範控制、參股期貨公司有關問題的規定》), Provisions on Classified Regulation of Futures Companies (《期貨公司分類監管規定》), Administrative Measures for Qualifications of Directors, Supervisors and Senior Management of Futures Companies (《期貨公司董事、監事和高級管理人員任職資格管理辦法》), Administrative Measures of Risk Regulation Indexes of Futures Companies (《期貨公司風險監管指標管理辦法》) and Administrative Provisions on Information Publication of Futures Companies (《期貨公司信息公示管理規定》), etc.

Industry Access

In accordance with the Regulations on Administration of Futures Trading (the State Council Order No. 676) (《期貨交易管理條例》(中華人民共和國國務院令第676號)) promulgated on 6 March 2007 and revised on 24 October 2012, 18 July 2013, 6 February 2016 and 1 March 2017 by the State Council and the Administrative Measures on Supervision of Futures Companies (China Securities Regulatory Commission Order No. 155) (《期貨公司監督管理辦法》(中國證券監督管理委員會令第155號)) promulgated by the CSRC on and effective from 4 June 2019, the establishment of a futures company shall be subject to the examination and approval by the CSRC and comply with the following conditions: (1) its minimum registered capital shall not be lower than RMB100 million; (2) its directors, supervisors and senior management have obtained the qualifications for assuming their posts and its employees have obtained the futures practicing qualifications; (3) it has its articles of association conforming to the laws and administrative regulations; (4) its main shareholders and actual controllers have a sustainable profit-making capacity and a good reputation, and none of them has any record of serious law and rule violation in the last three years; (5) the business premises and operational facilities are acceptable; (6) the Company has proper risk management and internal control systems; (7) 15 or more of the employees hold futures practitioner qualifications; (8) three or more of the senior management are qualified to take such role; and (9) any other condition stipulated by the futures supervision and administration authority of the State Council.

---

7 Risk coverage ratio = net capital/sum of all risk capital reserves x 100%

8 Capital leverage ratio = core net capital/sum of on-balance-sheet and off-balance-sheet assets x 100%

9 Liquidity coverage ratio = high-quality current assets/net cash flow-out of next 30 days x 100%

10 Net stable funding ratio = available stable funding/required stable funding x 100%

Restriction on Shareholding by Foreign Investors

According to the Measures for the Administration of Foreign-Funded Futures Companies (《外商投資期貨公司管理辦法》) promulgated on and effective from 24 August 2018 by the CSRC, the cumulative shareholding in futures companies (directly or indirectly) held by foreign investors shall in compliance with the State's arrangements on the opening-up of the futures industry to foreign investors. According to Special Administrative Measures for the Access of Foreign Investment (Negative List) (2020 version) (《外商投資准入特別管理措施(負面清單)(2020年版)》) promulgated by the NDRC and the MOFCOM on 23 June 2020 and effective from 23 July 2020, the maximum limit on shareholding in securities companies, securities investment fund management companies, futures companies and life insurance companies held by foreign investors has been removed.

Scope of Business

In accordance with the Regulations on Administration of Futures Trading (《期貨交易管理條例》) and Administrative Measures on Supervision of Futures Companies (《期貨公司監督管理辦法》), a futures company shall be subject to the licensing system. The CSRC will grant licences in accordance with the business types of commodity futures and financial futures. A futures company established under the above-mentioned conditions may engage in commodity futures brokerage business and it shall obtain corresponding business qualifications to engage in financial futures brokerage, overseas futures brokerage and futures investment consultation and shall make relevant registrations and filings in accordance with laws to engage in asset management business.

Regulation and Administration

In accordance with the Provisions on Classified Regulation of Futures Companies (CSRC Notice [2019] No. 5) (《期貨公司分類監管規定》(中國證監會公告[2019]5號)) promulgated by the CSRC on and effective from 15 February 2019, futures companies are divided into five categories, including 11 levels – A (AAA, AA, A), B, (BBB, BB, B), C (CCC, CC, C), D and E by the CSRC from high to low based on the risk management capacities of futures companies. Based on the classified regulation principle, the CSRC requires each category of futures companies to comply with corresponding standards for risk control indicators and calculation ratio of risk capital reserves and distinguishes them in allocation of regulatory resources, on-site inspection and off-site inspection frequency.

In accordance with Administrative Measures of Risk Regulation Indexes of Futures Companies (CSRC Order No. 131) (《期貨公司風險監管指標管理辦法》(中國證監會令131號)) promulgated by the CSRC on 18 April 2017 and effective from 1 October 2017, a futures company shall always comply with the following risk regulation indexes: (1) its net capital shall not be less than RMB30 million; (2) the proportion of its net capital to its risk capital reserves shall not be less than 100 per cent.; (3) the proportion of its net capital to net assets shall not be less than 20 per cent.; (4) the proportion of its current assets to current liabilities shall not be less than 100 per cent.; (5) the proportion of its liabilities to net assets shall not be more than 150 per cent.; (6) it complies with the specified requirement of minimum settlement reserves.

Trust Business

At present, the CBIRC is the regulatory authority of trust companies and the businesses engaged by them. Trust companies are regulated by the CBIRC mainly in accordance with the following laws, regulations and normative documents: Trust Law (《信託法》), Administrative Measures of Trust Companies (《信託公司管理辦法》), Guidelines for Governance of Trust Companies (《信託公司治理指引》), Guidelines on Supervisory Rating and Classified Regulation of Trust Companies (《信託公司監管評級與分類監管指引》), Administrative Measures of Net Capital of Trust Companies (《信託公司淨資本管理辦法》), Notice on the Publication of Matters of Standard Calculation of Net Capital of Trust Companies (《關於印發信託公司淨資本計算標準有關事項的通知》), Guidelines on Business Cooperation between Banks and Trust Companies (《銀行與信託公司業務合作指引》), Administrative Measures of Trust Companies' Trust Plans of Assembled Funds (《信託公司集合資金信託計劃管理辦法》) and Interim Measures on Administration of Information Disclosure of Trust Investment Companies (《信託投資公司信息披露管理暫行辦法》), etc.

Industry Access

In accordance with the Trust Law (President Order No.50) (《信託法》(主席令第50號)) promulgated by the Standing Committee of the National People's Congress on 28 April 2001 and effective from 1 October 2001, and Administrative Measures of Trust Companies (CBRC Order [2007] No. 2) (《信託公司管理辦法》(中國銀監會令2007年2號)) promulgated by the former CBRC on 23 January 2007 and effective from 1 March 2007, the establishment of a trust company shall be subject to the approval by the CBRC and after approval, with a finance licence be issued. A trust company shall also comply with the following conditions: (1) its articles of association complies with the provisions of the Company Law and the provisions of the CBRC; (2) the shareholders shall satisfy the shareholding qualification stipulated by the CBRC; (3) its minimum registered capital shall be RMB300 million or the equivalent of other freely tradeable currency and the registered capital shall be paid in capital; (4) it has directors and senior management satisfying the appointment qualification set by the CBRC and other staff relevant with trust businesses.

Scope of Business

In accordance with the Administrative Measures of Trust Companies (《信託公司管理辦法》), trust companies may apply to engage in part or all of the following business activities in RMB or foreign currencies: (1) fund trusts; (2) trust of movable property; (3) real estate trusts; (4) securities trusts; (5) trusts of other property or property rights; (6) acting as the promoter of an investment fund or a fund management company and engaging in fund investment business; (7) enterprise asset restructuring, mergers and acquisitions, project financing, corporate finance, financial consulting, etc.; (8) entrusted securities underwriting business as approved by relevant departments of the State Council; (9) mediation, advising, credit investigation business among others; (10) bailment and safe deposit locker facility business; and (11) any other business stipulated by laws and regulations or approved by the CBRC.

In addition, the own assets operations of trust companies may include interbank deposit, interbank loan, loan, leasing, investment and other businesses. The investment business activities shall be restricted to equity investments in financial enterprises, investments in financial products and investments in fixed assets used by themselves. Subject to the regulations of the CBRC, trust companies shall not use their own assets for industrial investment. Trust companies shall not engage in debt business other than interbank loan and the balance of interbank borrowing shall not exceed 20 per cent. of their respective net assets subject to the regulations of the CBRC. Trust companies can provide guarantee to third parties. However, the provision of guarantee by trust companies to third parties shall not be more than 50 per cent. of their respective net assets.

Regulation and Administration

In accordance with the Administrative Measures of Trust Companies (《信託公司管理辦法》), trust companies shall allocate 5 per cent. of their after-tax profit to the trust compensation reserves every year; but the trust companies may cease making further allocations to the trust compensation reserves when the total amount accumulated thereunder reaches 20 per cent. of the company's registered capital. The trust compensation reserves of a trust company shall be deposited at a domestic commercial bank with good standing and of a certain scale, or used to purchase securities with low risk and high liquidity, such as treasury bonds.

In accordance with the Administrative Measures of Net Capital of Trust Companies (CBRC Order [2010] No. 5) (《信託公司淨資本管理辦法》(中國銀監會令2010年第5號)) promulgated by the former CBRC and effective from 24 August 2010, the net capital of a trust company shall be subject to supervision by the CBRC and calculated in accordance with the following formula: net capital = net assets - risk deductions of various assets - risk deductions of contingent liabilities - other risk deductions determined by the CBRC. The net capital of a trust company shall be not less than RMB200 million. A trust company shall always comply with the following risk control indices: (1) its net capital shall not be less than 100 per cent. of the sum of the various risk capitals; (2) its net capital shall not be less than 40 per cent. of the net assets.

Financial Leasing Business

At present, the CBIRC is the regulatory authority of financial leasing companies and the businesses engaged by them. Financial leasing companies are regulated by the CBIRC mainly in accordance with the Administrative Measures of Financial Leasing Companies (《金融租賃公司管理辦法》) and relevant laws, regulations and regulatory documents.

Industry Access

In accordance with Administrative Measures of Financial Leasing Companies (CBRC Order [2014] No. 3) (《金融租賃公司管理辦法》(中國銀監會令2014年第3號)) promulgated on 23 January 2007 and revised on 13 March 2014 by the former CBRC, the establishment of a financial leasing company shall comply with the following conditions: (1) the company's articles of association shall comply with the Company Law and the provisions of the CBRC; (2) the promoters shall satisfy the stipulated criteria; (3) the registered capital shall be paid-up in cash in one installment, with minimum amount of RMB100 million or the equivalent amount in a freely tradable currency; (4) the directors and senior management satisfy the appointment qualification and its practitioners who have three or more years of financial or financial leasing work experience shall comprise not less than 50 per cent. of the total number of practitioners; (5) it has established effective corporate governance, internal control and risk management systems; (6) it has established an information technology structure which corresponds to its business operation and regulatory requirements, has established the requisite, secured and compliant information system which supports its business operation, has adopted technologies and measures to ensure business continuity; (7) it has business premises, security and protection measures and other facilities which correspond to its business operation; and (8) it shall satisfy any other prudential requirement stipulated by the CBRC.

Scope of Business

In accordance with the Administrative Measures of Financial Leasing Companies (《金融租賃公司管理辦法》), a financial leasing company may engage in part or all of the following businesses in RMB or foreign currencies with the approval by the CBRC: (1) financial leasing business; (2) transferring and being transferred of finance leasing assets; (3) fixed-return securities investment business; (4) receiving deposits from lessees; (5) taking fixed deposits with a term of three months or more from non-bank shareholders; (6) interbank lending; (7) taking loans from a financial institution; (8) overseas borrowings; (9) realisation and disposal of leased properties; (10) economic consulting.

Regulation and Administration

In accordance with the Administrative Measures of Financial Leasing Companies (《金融租賃公司管理辦法》), financial leasing companies shall build up a capital management system pursuant to the relevant provisions of the CBRC to rationally assess capital adequacy conditions and establish a prudent and standardised capital replenish and restriction mechanism; and shall establish an asset quality classification system pursuant to regulatory provisions. Financial leasing companies shall formulate a reserve system pursuant to the relevant provisions and make reserve for asset impairment in a timely manner and in full amount based on accurate classification so as to enhance their capacity to withstand risks. No profits shall be distributed before reserve is fully made. In addition, financial leasing companies shall comply with the following major regulatory indicators:

- capital adequacy ratio: the ratio of net capital to risk-weighted asset of a financial leasing company shall not be less than the minimum regulatory requirements of the CBRC;

- concentration of financing to a single client: the balance amount of financing by a financial leasing company to a single lessee shall not exceed 30 per cent. of the net capital of the financial leasing company;

- concentration of financing to a single group client: the balance amount of finance leasing by a financial leasing company to a single group shall not exceed 50 per cent. of the net capital of the financing leasing company;

- degree of correlation with a single client: the balance amount of financing by a financial leasing company to an affiliated party shall not exceed 30 per cent. of the net capital of the financial leasing company;

- degree of correlation with all clients: the balance amount of a financial leasing company to all interested parties shall not exceed 50 per cent. of the net capital of the financial leasing company;

- degree of correlation with a single shareholder: the balance amount of a financial leasing company to a single shareholder and the shareholder's affiliated parties shall not exceed the amount of contribution by the shareholder to the financial leasing company, and the provisions of the aforementioned measures on the degree of correlation with a single client shall be concurrently satisfied; and

- ratio of interbank borrowings: the balance amount of interbank borrowings of a financial leasing company shall not exceed 100 per cent. of the net capital of the financial leasing company.

Securities Investment Fund Business

At present, the CSRC is the regulatory authority of securities investment fund management companies and the businesses engaged by them. Securities investment fund management companies are regulated by the CSRC mainly in accordance with the following laws, regulations and normative documents: Securities Investment Fund Law (《證券投資基金法》), Administrative Measures of Securities Investment Fund Management Companies (《證券投資基金管理公司管理辦法》), Provisions on Administration of Subsidiary Companies of Fund Management Companies (《基金管理公司子公司管理規定》), Interim Administrative Measures of Risk Reserves by Public-offered Securities Investment Funds (《公開募集證券投資基金風險準備金監督管理暫行辦法》), Guidelines for Governance of Securities Investment Fund Management Companies (Provisional) (《證券投資基金管理公司治理準則(試行)》), Measures for the Compliance Management of Securities Companies and Securities Investment Fund Management Companies (《證券公司和證券投資基金管理公司合規管理辦法》), Guiding Opinions on Internal Control of Securities Investment Fund Management Companies (《證券投資基金管理公司內部控制指導意見》), Administrative Measures of Post-holding of Senior Management of Securities Investment Fund Industry (《證券投資基金行業高級管理人員任職管理辦法》), Administrative Measures of the Public-offered Securities Investment Fund Entrustment Business (《公開募集證券投資基金運作管理辦法》), Administrative Measures of Information Disclosure of Public-offered Securities Investment Fund (《公開募集證券投資基金信息披露管理辦法》), Supervision and Administrative Measures of Sales Organisations of Public-offered Securities Investment Fund (《公開募集證券投資基金銷售機構監督辦法管理辦法》) and Guiding Opinions on Fair Trading Rules of Securities Investment Fund Management Companies (《證券投資基金管理公司公平交易制度指導意見》).

Industry Access

In accordance with the Securities Investment Fund Law (President Order No. 23) (《證券投資基金法》(主席令第23號)) effective from 1 June 2013 and revised by the Standing Committee of the National People's Congress on 24 April 2015, and the Administrative Measures of Securities Investment Fund Management Companies (CBRC Order No. 166) (《證券投資基金管理公司管理辦法》(中國證監會令第166號)) promulgated by the CSRC on and effective from 20 March 2020, the establishment of a securities investment fund management company shall be subject to the examination and approval by the CSRC and comply with the following conditions: (1) its shareholders are in compliance with the provisions in the Securities Investment Fund Law (《證券投資基金法》) and the Administrative Measures of Securities Investment Fund Management Companies (《證券投資基金管理公司管理辦法》); (2) its articles of association are in compliance with the Securities Investment Fund Law (《證券投資基金法》), the Company Law and regulations of the CBRC; (3) its registered capital shall not be less than RMB100 million and shall be paid in capital; foreign shareholders should pay by a freely tradeable currency; (4) proposed senior management and employees specialise in research, investment, evaluation, marketing and others that are in compliance with laws, administrative regulations and regulations of the CBRC; the proposed senior management personnel and business personnel should be not less than 15 people and have obtained funds practitioner qualifications; (5) having business premises that meet the requirements, safety facilities and other facilities in relation to its businesses; (6) having established organisation structure and roles with proper and clear division of duties; (7) supervision and inspection, risk control and other internal supervision and control systems that are complied with regulations of the CBRC; and (8) other conditions stipulated by the CBRC and approved by the State Council.

Restriction on Shareholding by Foreign Investors

In accordance with the Administration Measures for the Securities Investment Fund Management Companies (《證券投資基金管理公司管理辦法》) promulgated by the CSRC, the cumulative shareholding or equity interest directly or indirectly held by foreign investors in sino-foreign fund management joint ventures shall not exceed the commitments on the opening-up of Chinese securities industry to foreign investors. According to Special Administrative Measures for the Access of Foreign Investment (Negative List) (2020 version) (《外商投資准入特別管理措施(負面清單)(2020年版)》) promulgated by the NDRC and the MOFCOM on 23 June 2020 and effective from 23 July 2020, the maximum limit on shareholding in securities companies, securities investment fund management companies, futures companies and life insurance companies held by foreign investors has been removed.

Scope of Business

In accordance with the Securities Investment Fund Law (《證券投資基金法》), Administrative Measures of Securities Investment Fund Management Companies (《證券投資基金管理公司管理辦法》) and the Administrative Measures of Private Equity Assets Management of Securities and Futures Operating Institutions (《證券期貨經營機構私募資產管理業務管理辦法》) and subject to the relevant conditions and approval by the CSRC, fund management companies may engage in the following businesses: (1) management of publicly-raised securities investment funds; (2) asset management for selected customers; (3) special asset management by subsidiaries; (4) provision of investment consultation for QFIIs, domestic insurance companies and other selected entities which are legally established and operated; (5) management of investment of social security fund; (6) investment management of annuity funds; (7) management of overseas equity investment portfolio by using funds raised in China as a QDII; and (8) other businesses provided by laws and regulation and approved by the CSRC.

Regulation and Administration

Pursuant to the Administrative Measures of Securities Investment Fund Management Companies (《證券投資基金管理公司管理辦法》) and the Administrative Measures of Managers of Public-offered Securities Investment Funds (《公開募集證券投資基金管理人管理辦法》), the establishment of fund management companies and the qualifications of senior management of fund management companies shall be supervised by the CSRC in accordance with the relevant laws, administrative rules and the regulations of the CSRC and the principle of prudent regulation. Off-site and on-site inspections on the corporate governance, internal control, operations, risk profile and relevant business activities of fund management companies shall also be conducted by the CSRC.

HONG KONG REGULATORY ENVIRONMENT

Introduction

The SFO is the principal legislation regulating the securities and futures industry in Hong Kong, including the regulation of securities, futures and leveraged foreign exchange markets, the offering of investments to the public in Hong Kong, intermediaries and their conduct of regulated activities. In particular, Part V of the SFO deals with licensing and registration matters. The SFO is administered by the SFC which is the statutory regulatory body that governs the securities and futures markets and non-bank retail leveraged foreign exchange market in Hong Kong.

The banking sector in Hong Kong is regulated by and subject to the provisions of the Banking Ordinance and to the powers and functions ascribed by the Banking Ordinance to the HKMA. The Banking Ordinance provides that only authorised institutions (that is, banks which have been granted a banking licence ("**Banking Licence**") by the HKMA may carry on banking business (as defined in the Banking Ordinance) in Hong Kong and contains controls and restrictions on such banks ("**Authorised Institutions**").

Types of Regulated Activities

The SFO provides a single licensing regime under which a person needs only one licence to carry on the different types of regulated activities as specified in Schedule 5 of the SFO. There are ten types of regulated activities, namely:

Type 1: dealing in securities;

Type 2: dealing in futures contracts;

Type 3: leveraged foreign exchange trading;

Type 4: advising on securities;

Type 5: advising on futures contracts;

Type 6: advising on corporate finance;

Type 7: providing automated trading services;

Type 8: securities margin financing;

Type 9: asset management; and

Type 10: providing credit rating services.

As of the date of this Offering Circular, the following Group companies are licensed under the SFO to carry out the regulated activities as stated below:

Group Companies	Types of Regulated Activities
Cinda International Capital Limited	Type 1 and Type 6
Cinda International Futures Limited	Type 2
Cinda International Research Limited	Type 4
Cinda International Securities Limited	Type 1
Cinda International Asset Management Limited	Type 4 and Type 9
Nanyang Commercial Bank, Limited	Type 1 and Type 4

Overview of Licensing Requirements

Under the SFO, any person who:

(a) carries on a business in a regulated activity; or

(b) holds itself out as carrying on a business in a regulated activity,

must be licensed under the relevant provisions of the SFO for carrying on such regulated activity, unless one of the exceptions under the SFO applies. It is an offence for a person to conduct any regulated activity without the appropriate licence.

Further, if a person (whether by itself or another person on his behalf, and whether in Hong Kong or from a place outside of Hong Kong) actively markets to the public any services that it provides and such services, if provided in Hong Kong, would constitute a regulated activity, then that person is also subject to the licensing requirements under the SFO.

In addition to the licensing requirements on corporations, any individual who:

(a) performs any regulated function in relation to a regulated activity carried on as a business; or

(b) holds himself out as performing such regulated function,

must be licensed separately under the SFO as a licensed representative accredited to his principal.

For each regulated activity conducted by a licensed corporation, it must appoint no less than two responsible officers, at least one of whom must be an executive director, to supervise the business of the regulated activity. A responsible officer is an individual approved by the SFC to supervise the regulated activity or activities of the licensed corporation to which he is accredited. In addition, every director of the licensed corporation who actively participates in or is responsible for directly supervising the licensed corporation's regulated activity or activities must apply to the SFC to become a responsible officer.

Fit and Proper Requirement

Persons applying for licences under the SFO must satisfy and continue to satisfy after the grant of such licences by the SFC that they are fit and proper persons to be so licensed. In simple terms, a fit and proper person means one who is financially sound, competent, honest, reputable and reliable.

Ongoing Obligations of Licensed Corporations

Licensed corporation, licensed representatives and responsible officers must remain fit and proper as defined under the SFO at all times. They are required to comply with all applicable provisions of the SFO and its subsidiary rules and regulations as well as the codes and guidelines issued by the SFC.

Outlined below are some of the key ongoing obligations of a licensed corporation:

- maintenance of minimum paid-up share capital and liquid capital, and submission of financial returns to the SFC, in accordance with the requirements under the Securities and Futures (Financial Resources) Rules (as discussed in more detail below);

- maintenance of segregated account(s), and custody and handling of client securities in accordance with the requirements under the Securities and Futures (Client Securities) Rules;

- maintenance of segregated account(s), and holding and payment of client money in accordance with the requirements under the Securities and Futures (Client Money) Rules;

- issuance of contract notes, statements of account and receipts, in accordance with the requirements under the Securities and Futures (Contract Notes, Statements of Account and Receipts) Rules;

- record-keeping requirements prescribed under the Securities and Futures (Keeping of Records) Rules;

- submission of audited accounts and other required documents in accordance with the requirements under the Securities and Futures (Accounts and Audit) Rules;

- maintenance of insurance against specific risks for specified amounts in accordance with the requirements under the Securities and Futures (Insurance) Rules;

- notification to the SFC of certain changes and events, in accordance with the requirements under Securities and Futures (Licensing and Registration) (Information) Rules;

- implementation of appropriate policies and procedures relating to client acceptance, client due diligence, record-keeping, identification and reporting of suspicious transactions and staff screening, education and training, in accordance with the requirements under the Guideline on Anti-Money Laundering and Counter-Terrorist Financing (the "**AML Guideline**") issued by the SFC (as discussed in more detail below); and

- business conduct requirements under the Code of Conduct for Persons Licensed by or Registered with the SFC, the Management, Supervision and Internal Control Guidelines for Persons Licensed by or Registered with the SFC, and other applicable codes and guidelines issued by the SFC.

Securities and Futures (Financial Resources) Rules (the "Financial Resources Rules")

Subject to certain exemptions described below, a licensed corporation is required to maintain minimum paid-up share capital of:

- HK$5,000,000 – in the case of (i) a corporation licensed for Type 1 regulated activity that does not provide securities margin financing; (ii) a corporation licensed for Type 2 or Type 7 regulated activity; (iii) a corporation licensed for Type 3 regulated activity that is an approved introducing agent; (iv) a corporation licensed for Type 4, Type 5, Type 9 or Type 10 regulated activity that is not subject to the licensing condition that it must not hold client assets; or (v) a corporation licensed for Type 6 regulated activity that is subject to the no sponsor work licensing condition (but is not subject to the licensing condition that it must not hold client assets);

- HK$10,000,000 – in the case of (i) a corporation licensed for Type 1 regulated activity that provides securities margin financing; (ii) a corporation licensed for Type 8 regulated activity; or (iii) a corporation licensed for Type 6 regulated activity that is not subject to the no sponsor work licensing condition; or

- HK$30,000,000 – in the case of a corporation licensed for Type 3 regulated activity that is not an approved introducing agent.

There is no minimum paid-up share capital requirement if the corporation is (i) licensed for Type 1 regulated activity and is an approved introducing agent or a trader; (ii) licensed for Type 2 regulated activity and is an approved introducing agent, a trader or a futures non-clearing dealer; (iii) licensed for Type 4, Type 5, Type 9 or Type 10 regulated activity which is subject to the licensing condition that it must not hold client assets; or (iv) licensed for Type 6 regulated activity which is subject to both the licensing condition that it must not hold client assets and the no sponsor work licensing condition.

Pursuant to the Financial Resources Rules, a licensed corporation shall also maintain minimum liquid capital of the higher of the amount of (a) and (b) below:

(a) the amount of:

- HK$100,000 – in the case of a corporation licensed for Type 4, Type 5, Type 6, Type 9 or Type 10 regulated activity which is subject to the licensing condition that it must not hold client assets;

- HK$500,000 – in the case of (i) a corporation licensed for Type 1 regulated activity that is an approved introducing agent or trader; or (ii) a corporation licensed for Type 2 regulated activity that is an approved introducing agent, a futures non-clearing dealer or a trader;

- HK$3,000,000 – in the case of (i) a corporation licensed for Type 1 regulated activity that is not an approved introducing agent or a trader; (ii) a corporation licensed for Type 2 regulated activity that is not an approved introducing agent, a futures non-clearing dealer or a trader; (iii) a corporation licensed for Type 3 regulated activity that is an approved introducing agent; (iv) a corporation licensed for Type 4, Type 5, Type 6, Type 9 or Type 10 regulated activity which is not subject to the licensing condition that it must not hold client assets; or (v) a corporation licensed for Type 7 or Type 8 regulated activity; or

- HK$15,000,000 – in the case of a corporation licensed for Type 3 regulated activity that is not an approved introducing agent.

(b) its variable required liquid capital, as defined in the Financial Resources Rules.

If the licensed corporation is licensed for more than one type of regulated activity, the minimum paid-up share capital and liquid capital that the corporation should maintain shall be the highest amount required among those regulated activities.

Anti-money Laundering and Counter-Terrorist Financing

Licensed corporations are required to comply with the applicable anti-money laundering and counter-terrorist financing laws and regulation in Hong Kong as well as the AML Guideline.

The AML Guideline provides practical guidance to assist licensed corporations and their senior management in designing and implementing their own anti-money laundering and counter-terrorist financing policies, procedures and controls in order to meet the relevant legal and regulatory requirements in Hong Kong. Under the AML Guideline, licensed corporations should, among other things:

- assess the risks of any new products and services before they are introduced and ensure that appropriate additional measures and controls are implemented to mitigate and manage the associated money laundering and terrorist financing risks;

- identify the client and verify the client's identity using reliable, independent source documents, data or information, and take steps from time to time to ensure that the client information is up-to-date and relevant;

- conduct ongoing monitoring of activities of the clients to ensure that they are consistent with the nature of business, the risk profile and source of funds, as well as identify transactions that are complex, large or unusual, or patterns of transactions that have no apparent economic or lawful purpose;

- maintain a database of names and particulars of terrorist suspects and designated parties which consolidates the various lists that have been made known to it, as well as comprehensive ongoing screening of the client database; and

- conduct ongoing monitoring for identification of suspicious transactions and ensure compliance with their legal obligations of reporting funds or property known or suspected to be proceeds of crime or terrorist property to the Joint Financial Intelligence Unit, a unit jointly run by the Hong Kong Police Force and the Hong Kong Customs & Excise Department to monitor and investigate suspected money laundering.

Supervision of Authorised institutions in Hong Kong

The provisions of the Banking Ordinance are implemented by the HKMA, the principal function of which is to promote the general stability and effectiveness of the banking system, especially in the area of supervising compliance with the provisions of the Banking Ordinance. The HKMA supervises authorised institutions through, *inter alia*, a regular information gathering process, the main features of which are as follows:

- each authorised institution must submit a monthly return to the HKMA setting out the assets and liabilities of its operations in Hong Kong and a further comprehensive quarterly return relating to its principal place of business in Hong Kong and all local branches, although the HKMA has the right to allow returns to be made at less frequent intervals;

- the HKMA may order an authorised institution, any of its subsidiaries, its holding company or any subsidiaries of its holding company to provide such further information (either specifically or periodically) as it may reasonably require for the exercise of its functions under the Banking Ordinance or as it may consider necessary to be submitted in the interests of the depositors or potential depositors of the authorised institution concerned. Such information shall be submitted within such period and in such manner as the HKMA may require. The HKMA may in certain circumstances also require such information or any return submitted to it to be accompanied by a certificate of the authorised institution's auditors (approved by the HKMA for the purpose of preparing the report) confirming compliance with Banking Ordinance and certain matters;

- authorised institutions may be required to provide information to the HKMA regarding companies in which they have an aggregate 20 per cent. or more direct or indirect shareholding or with which they have common directors or managers (as defined in the Banking Ordinance), the same controller, a common name or a concert party arrangement to promote the authorised institution's business;

- in addition, authorised institutions are obliged to report to the HKMA immediately of their likelihood of becoming unable to meet their obligations or of the commencement of material civil proceedings applicable only to authorised institutions incorporated in Hong Kong;

- the HKMA may direct an authorised institution to appoint an auditor to report to the HKMA on the state of affairs and/or profit and loss of the authorised institution or the adequacy of the systems of control of the authorised institution or other matters as the HKMA may reasonably require;

- the HKMA may, at any time, with or without prior notice, examine the books, accounts and transactions of any authorised institution, and in the case of an authorised institution incorporated in Hong Kong, any local branch, overseas branch, overseas representative office or subsidiary, whether local or overseas, of such institution, such inspections are carried out by the HKMA on a regular basis; and

- authorised institutions are required to give written notice to the HKMA immediately of any proposal to remove an auditor before the expiration of his term of office or replace an auditor at the expiration of his term of office.

Exercise of Powers over Authorised institution

The HKMA may, after consultation with the Financial Secretary, exercise certain powers over the conduct of authorised institutions in any of the following circumstances:

- when an authorised institution informs the HKMA that it is likely to become unable to meet its obligations, that it is insolvent, or that it is about to suspend payment;

- when an authorised institution becomes unable to meet its obligations or suspends payment;

- if after an examination or investigation, the HKMA is of the opinion that an authorised institution:

  (i) is carrying on its business in a manner detrimental to the interests of its depositors or potential depositors or of its creditors or of holders or potential holders of multi-purpose cards issued by it or the issue of which is facilitated by it;

  (ii) is insolvent or is likely to become unable to meet its obligations or is about to suspend payment;

  (iii) has contravened or failed to comply with any of the provisions of the Banking Ordinance; or

  (iv) has contravened or failed to comply with any condition attached to its Banking Licence or certain conditions in the Banking Ordinance; and

- where the Financial Secretary advises the HKMA that he considers it in the public interest to do so.

In any of the circumstances described above, the HKMA, after consultation with the Financial Secretary, may exercise any of the following powers:

- to require the authorised institution, by notice in writing served on it, forthwith to take any action or to do any act or thing whatsoever in relation to its business and property as the HKMA may consider necessary;

- to direct the authorised institution to seek advice on the management of its affairs, business and property from an adviser approved by the HKMA;

- to assume control of and carry on the business of the authorised institution, or direct some other person to assume control of and carry on the business of the authorised institution; or

- to report to the Chief Executive in Council in certain circumstances (in which case the Chief Executive in Council may exercise a number of powers including directing the Financial Secretary to present a petition to the Court of First Instance for the winding-up of the authorised institution).

Revocation and Suspension of Banking Licence

The HKMA also has powers to recommend the revocation or suspension of a Banking Licence. Both powers are exercisable after consultation with the Financial Secretary and with a right of appeal of the authorised institution concerned except in the event of temporary suspension in urgent cases. The grounds for suspension or revocation include the following:

- the authorised institution no longer fulfils the criteria for authorisation and the requirements for registration;

- the authorised institution is likely to be unable to meet its obligations or to suspend payment or proposes to make, or has made, any arrangement with its creditors or is insolvent;

- the authorised institution has failed to provide material information required under the Hong Kong Banking Ordinance or has provided false information;

- the authorised institution has breached a condition attached to its Banking Licence;

- a person has become or continues to be a controller or chief executive or director of the authorised institution after the HKMA has made an objection;

- the interests of the depositors require that the Banking Licence be revoked; or

- the authorised institution is engaging in practices likely to prejudice Hong Kong as an international financial centre or in practices (specified in the HKMA guidelines) which should not be engaged in.

Revocation or suspension of a Banking Licence means that the authorised institution can no longer conduct banking business (for the specified period in the case of a suspension).

Financial Institutions Resolution Regime

On July 7, 2017, the Financial Institutions (Resolution) Ordinance (Cap. 628) of Hong Kong (the "**FIRO**") came into operation. The FIRO provides for, among other things, the establishment of a resolution regime for authorised institutions and other financial institutions in Hong Kong. The resolution regime seeks to provide the relevant resolution authorities with administrative powers to bring about timely and orderly resolution in order to stabilise and secure continuity for a failing authorised institution in Hong Kong. In particular, and subject to certain safeguards, the relevant resolution authority is provided with powers to affect contractual and property rights as well as payments (including in respect of any priority of payment) that creditors would receive in resolution. These may include, but are not limited to, powers to write off or convert all or a part of the principal amount of, or distributions on, regulatory capital securities of relevant financial institutions in Hong Kong. Certain details relating to FIRO will be set out through secondary legislation and supporting rules.

On January 17, 2018, the HKMA announced a public consultation on a set of proposed rules to set out minimum loss-absorbing capacity ("**LAC**") requirements for authorised institutions under the FIRO. The LAC requirements have been proposed in order to ensure that the resolution regime can be used effectively and that authorised institutions have sufficient loss-absorbing capacity. On December 14, 2018, the Financial Institutions (Resolution) (Loss-absorbing Capacity Requirements – Banking Sector) Rules (Cap. 628B) came into operation as subsidiary registration under the FIRO.

OECD's Common Reporting Standard

The Organisation for Economic Co-operation and Development (the "**OECD**") has developed a draft common reporting standard ("**CRS**") and model competent authority agreement to enable the multilateral, automatic exchange of financial account information. The CRS does not include a potential withholding element. Under the CRS financial institutions will be required to identify and report the tax residence status of customers in 160 countries/regions (including EU member states) that have endorsed the plans, among which, 115 countries (including EU member states) have committed to adopt the CRS, of which, 105 countries (including EU member states) had first information exchange in 2020 and ten countries have committed to first information exchange during the period from 2021 to 2023.

The adoption of CRS in the PRC and Hong Kong became effective from 1 January 2017. The PRC and Hong Kong financial institutions may begin collecting tax residency information from their account holders as early as 1 January 2017 and may report information on reportable account holders in 2018. The increased due diligence of customer information and the reporting of information to the tax authorities will increase operational and compliance costs for our banking business. At this time, it is not possible to quantify the full costs of complying with the new legislation as some aspects are still to be determined.

SUMMARY OF THE COMPANY'S ARTICLES OF ASSOCIATION

Below is a summary of the key provisions of the Articles, which is provided mainly for the purpose that the investors will have a general understanding of the Articles. Given it takes the form of a summary, the information contained herein may not have included all material information that may be important to the prospective investors.

The Articles were adopted at the shareholders' general meeting of the Company on 30 June 2020 and shall become effective from 27 October 2020, on which date the Articles were approved by the CBIRC.

GENERAL PROVISIONS

The Articles shall become a legally binding document that regulates the organisation and acts of the Company as well as the rights and obligations between the Company and its shareholders and among the shareholders from the date on which it becomes effective.

ISSUE OF SHARES

The Company shall have ordinary shares at all times. The Company may create preference shares and other classes of shares if necessary, upon approval by the examining and approving departments authorised by the State Council.

In the Articles, "preference shares" refer to another class of shares governed separately under the Company Law as compared to the ordinary shares governed by the general provisions. Holders of preference shares shall participate in the distribution of profits and residual assets of the Company in priority to ordinary shareholders, but their rights in respect of participating in decision making and management of the Company (such as voting rights) are restricted.

Unless otherwise specified, references in Chapters 3 to 20 and 22 of the Articles to "share(s)" and "share certificate(s)" shall refer to ordinary share(s) and ordinary share certificate(s) and references to "shareholder(s)" in Chapters 3 to 20 and 22 of the Articles shall refer to ordinary shareholder(s).

INCREASE OF REGISTERED CAPITAL

Upon the demands of operation and business development and in accordance with relevant laws and regulations and the Articles, the Company may, subject to resolutions of the shareholders' general meeting and approval from the relevant regulatory authorities of the State, increase its registered capital in the following ways:

(1) open offer of new shares;

(2) private placing of new shares;

(3) bonus issue to existing shareholders;

(4) capitalisation of capital reserve; and

(5) other methods permitted by laws, regulations and the relevant regulatory authorities of the State.

The increase in the share capital of the Company by issuing new shares shall be approved in accordance with the Articles and shall be conducted in accordance with the procedures specified under relevant laws, administrative regulations and regulatory documents.

If the issue of convertible bonds by the Company may result in the increase in its registered capital, the convertible bonds shall be issued in accordance with the relevant laws, administrative regulations, regulatory documents and the offering document in relation to the issue.

DECREASE OF REGISTERED CAPITAL

The Company may reduce its registered capital in accordance with the PRC Company Law and other applicable laws, administrative regulations, regulatory documents and the Articles pursuant to the approval at the shareholders' general meeting.

The Company must prepare a balance sheet and an inventory of assets when it is to reduce its registered capital.

The Company shall notify its creditors within 10 days from the date of adopting the resolution to reduce its registered capital and shall publish an announcement of the resolution in a newspaper at least three times within 30 days from the said date. Creditors shall, within 30 days of receiving the written notice or within 90 days since the date of the first announcement for those who have not received the written notice, be entitled to demand the Company to pay its debts in full or to provide a guarantee for repayment.

The registered capital of the Company after the reduction shall not be less than the statutory minimum.

REPURCHASE OF SHARES

The Company may repurchase its shares in the following circumstances in accordance with the laws, regulations and provisions of the Articles and subject to the approval of the relevant authorities of the State:

(1) reducing its registered capital of the Company;

(2) merging with any other companies holding the shares in the Company;

(3) utilising the shares for employee shareholding plan or share incentive scheme;

(4) being requested to repurchase the shares of the Company by the shareholders who object to the resolutions adopted at the shareholders' general meeting concerning merger or division of the Company;

(5) utilising shares for conversion of convertible corporate bonds issued by the Company;

(6) as necessary for maintenance of the Company's value and shareholders' rights and interests; or

(7) other circumstances permitted by the laws and regulations.

Other than the abovementioned circumstances, the Company may not purchase or sell its own shares.

Where the Company repurchases its shares under items (1) or (2) above, it shall obtain approval from shareholders' general meeting. Where the Company repurchases its shares under the circumstances stipulated by items (3), (5) or (6) above, it shall be subject to a board resolution which more than two-thirds of the directors attend the meeting.

Where the Company repurchases its shares under item (1), it shall cancel the shares within 10 days from the date of repurchase. Where the Company repurchases its shares under items (2) and (4), the Company shall transfer or cancel the shares within six months; where the Company repurchases its shares under the circumstances in items (3), (5) or (6), the aggregate shareholding of the Company shall not exceed 10 per cent. of the total issued shares of the Company, and shall be transferred or cancelled within 3 years.

After repurchasing the Company's shares, the Company shall perform information disclosure obligation in accordance with the relevant provisions of the Securities Law and the Hong Kong Listing Rules.

The Company may repurchase its shares in accordance with the laws in any of the following ways after being approved by the relevant authorities of the State:

(i) making a repurchase offer to all shareholders on a pro rata basis;

(ii) repurchasing by means of public dealing on a stock exchange;

(iii) repurchasing by an off-market agreement; or

(iv) other methods permitted by laws and regulations or by the relevant authorities of the State.

Where the Company repurchases its shares under the circumstances stipulated by items (3), (5) or (6) above, the repurchase shall be conducted in a public and centralised manner.

TRANSFER OF SHARES

Unless otherwise provided by laws, regulations, securities regulatory authorities of the place where the Company's shares are listed, fully paid-up shares in the Company are freely transferable and are not subject to any lien.

To transfer the overseas listed shares (including the ordinary shares only) listed in Hong Kong, the transferor shall carry out registration at the share registrar entrusted by the Company in Hong Kong.

All the fully paid-up overseas listed and foreign invested shares that are listed in Hong Kong can be freely transferred in accordance with the Articles. Unless the following requirements are met, the board of directors may refuse to accept any transfer documents without giving any explanation for such refusal:

(1) any transfer documents and other documents which are relevant to or which would affect the ownership of the shares shall be registered with a registration fee payable to the Company in accordance with the Hong Kong Listing Rules required by the Hong Kong Stock Exchange;

(2) such transfer documents only relate to overseas listed foreign invested shares listed on the Hong Kong Stock Exchange;

(3) any stamp duty payable for the transfer documents is duly paid in accordance with the laws of Hong Kong;

(4) relevant share certificates and other proof which proves the transferor's ownership of the shares shall be provided, as the board of directors may reasonably require;

(5) there shall only be a maximum of four joint holders of shares in the event that the shares are to be transferred to joint holders; and

(6) no lien shall be attached to the relevant shares.

Where the board of directors refuses to register the transfer of shares, the Company shall issue a notice of refusal to the transferor and transferee within 2 months from the date of application for the transfer.

All transfer of foreign investment shares in Hong Kong shall be effected with a written transfer instrument in general or ordinary form or such other form as approved by the board of directors, including the standard transfer form and the transfer form that Hong Kong Stock Exchange may provide from time to time. Such instrument may be signed manually and/or (if the transferor or the transferee is a company) signed by way of attaching the company seal. Where the transferor or the transferee is a recognised clearing house as defined under the Hong Kong Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong) (the "**Recognised Clearing House**"), or any of its agents, the transfer form may be signed manually or mechanically printed.

FINANCIAL ASSISTANCE FOR PURCHASE OF SHARES OF THE COMPANY

The Company or its subsidiaries shall not offer any financial assistance at any time by any means to purchasers or prospective purchasers of the Company's shares. Such purchasers of the Company's shares shall include those who directly or indirectly assume the obligations in relation to the purchase of the shares of the Company.

The Company or its subsidiaries shall not offer any financial assistance at any time by any means in order to reduce or release the obligations of the aforesaid obligator in relation to the purchase or proposed purchase of the shares of the Company.

The two preceding provisions (Article 36 of the Articles) do not apply to the circumstances mentioned in Article 38 of the Articles below.

"The financial assistance" referred to in the Articles includes (without limitation) the following meanings:

(1) gift;

(2) guarantee (including the assumption of liability by the guarantor or the provision of assets by the guarantor to secure the performance of obligations by the obligor), compensation (other than compensation in respect of the Company's own default), release or waiver of rights;

(3) provision of loan or entering into agreement under which the obligations of the Company are to be fulfilled before the obligations of another party, or a change in the parties to, or the assignment of rights under, such loan or agreement; and

(4) any other form of financial assistance given by the Company when the Company is insolvent, has no net assets or when its net assets would thereby be reduced to a material extent.

"Incurs an obligation" referred to in the Articles includes the incurring of obligations by changing of the obligor's financial position by way of contract or the making of an arrangement (whether enforceable or not, and whether made on its own account or with any other persons), or by any other means.

Except as otherwise prohibited by the laws, regulations and regulatory documents, the following activities shall not be deemed to be prohibited for the purpose of Article 36 of the Articles:

(1) the provision of financial assistance by the Company is given in good faith in the interest of the Company, and the principal purpose in giving the financial assistance is not for the purchase of the Company's shares, or the giving of the financial assistance is an incidental part of a master plan of the Company;

(2) the lawful distribution of the Company's assets by way of dividends;

(3) the allotment of bonus shares of the Company as dividends;

(4) a reduction of registered capital, a repurchase of shares or a reorganisation of the share capital structure effected in accordance with the Articles;

(5) the lending of money by the Company within its scope of business and in the ordinary course of business (provided that the net assets of the Company are not thereby reduced or, to the extent that the assets are thereby reduced, the financial assistance is provided out of distributable profits of the Company); and

(6) the provision of money by the Company for an employee shareholding scheme (provided that the net assets of the Company are not thereby reduced or that, to the extent that the assets are thereby reduced, the financial aid is provided out of distributable profits of the Company).

PARTY ORGANISATION (PARTY COMMITTEE)

The Committee of the Communist Party of China of China Cinda Asset Management Co., Ltd. (hereinafter referred to as the "**Party Committee**") shall be established within the Company. The Party Committee shall consist of one secretary, two deputy secretaries and several other members. The chairman of the board of directors of the Company and the secretary of the Party Committee shall be the same person, and one deputy secretary shall be designated to assist the secretary in carrying out Party-building work. Eligible members of the Party Committee can join the board of directors, the board of supervisors and the senior management through legal procedures, while eligible members of the board of directors, the board of supervisors and the senior management who are Party members can also join the Party Committee in accordance with relevant rules and procedures. Meanwhile, a commission for discipline inspection shall be established in accordance with relevant requirements.

The Party Committee shall, in accordance with the Constitution of the Communist Party of China and other internal laws and regulations of the Party, perform the following duties:

(1) to ensure and supervise the Company's implementation of policies and guidelines of the Party and the State, and implement major strategic decisions of the Central Committee of the Party and the State Council, as well as important work arrangements of higher-level Party organisations;

(2) to strengthen its leadership and gate keeping role in the management of the process of selection and appointment of personnel, focusing on standards, procedure, evaluation, recommendation and supervision, and uphold the integration of the principle that the Party manages the cadres with the function of the board of directors in the lawful selection of the management and with the lawful exercise of authority of appointment, promotion and demotion of personnel by the management;

(3) to research and discuss the reform, development and stability of the Company, major operational and management issues and major issues concerning employee interests, and put forth comments and suggestions. Support the shareholders' general meeting, the board of directors, the board of supervisors and the senior management of the Company in performing their duties in accordance with laws and support the employees' representative meeting in carrying out its work;

(4) to assume the primary responsibility to run the Party comprehensively with strict discipline, lead the Company's ideological and political work, the United Front work, the cultural and ethical progress, corporate culture cultivation as well as the work of groups such as the Labor Union and the Communist Youth League, lead the construction of the Party's working style and its clean and honest administration, and support the Discipline Inspection Commission in earnestly performing its supervisory responsibilities;

(5) to strengthen the building of the Company's grassroots Party organisations and of its contingent of Party members, give full play to the role of Party branches as strongholds and to the role of Party members as pioneers and fine examples, and unite and lead cadres and employees to devote themselves into the reform and development of the Company; and

(6) other material matters that fall within the duty of the Party Committee.

RIGHTS OF SHAREHOLDERS (INCLUDING ACCESS TO REGISTER OF MEMBERS)

The ordinary shareholders of the Company shall enjoy the following rights:

(1) the right to dividends and other types of interest distributed in proportion to the number of shares held;

(2) the right to attend or appoint a proxy to attend shareholders' general meetings and to vote thereat;

(3) the right of supervisory management over the Company's business operations, and the right to present proposals or to raise enquires;

(4) the right to transfer, bestow or pledge shares in accordance with laws, regulations, regulatory documents, relevant requirements of the securities regulatory authorities of the place where the Company's shares are listed and provisions of the Articles;

(5) the right to obtain relevant information in accordance with the laws, regulations and provisions of the Articles, including:

  (i) the right to obtain a copy of the Articles, subject to payment of the cost of such copy;

  (ii) the right to inspect and, subject to payment of a reasonable charge, obtain a copy of the following information in the specified place during the business hours of the Company:

    (a) the particulars of each of the Company's directors, supervisors and senior management members;

    (b) minutes of shareholders' general meetings;

    (c) all parts of the register of members;

    (d) the state of the Company's share capital;

    (e) the latest audited financial statements, and the reports of the board of directors and the board of supervisors;

    (f) special resolutions of the shareholders' general meetings; and

(g) reports showing the aggregate par value, quantity, and maximum and minimum prices paid in respect of each class of shares repurchased by the Company since the end of the previous accounting year and the total expenses incurred by the Company for this purpose.

If any shareholder requests a copy of the minutes of a shareholders' general meeting, the Company shall deliver such copy after seven days upon the receipt of a reasonable cost.

The Company may refuse any inspecting or copying request which involves commercial secrets and price sensitive information of the Company.

(6) in the event of the termination or liquidation of the Company, the right to participate in the distribution of remaining assets of the Company in accordance with the number of shares held;

(7) the right to request the Company to purchase the shares of the shareholder who raises objection to the resolution on merger or division made at the shareholders' general meeting; and

(8) other rights conferred by the laws, regulations, regulatory documents and the Articles.

If any person holding interest directly or indirectly exercises his right based on the shares of the Company without revealing this right to the Company, the Company shall not compromise such person's right based on the shares of the Company by freezing it or otherwise.

Shareholders who shall have but have not been approved by the regulatory authorities or who shall have but have not reported to the regulatory authorities may not exercise the rights to request to convene a shareholders' general meeting, to vote, to nominate, to propose resolutions, to dispose, etc.

For shareholders who made false statements, abused shareholders' rights or had other acts that jeopardised the interests of the Company, the banking regulatory authority of the State Council or its local offices may restrict or prohibit such shareholders from conducting connected transactions with the Company, restrict their quota on holding the Company's equity, on the proportion of equity pledge, etc., and may restrict their rights to request to convene a shareholders' general meeting, to vote, to nominate, to propose resolutions, to dispose, etc.

OBLIGATIONS OF SHAREHOLDERS

Holders of the ordinary shares of the Company shall have the following obligations:

(1) to abide by the laws and regulations, regulatory requirements and the Articles;

(2) to contribute to the share capital according to the number of shares subscribed by them and the methods of capital contribution, to perform capital contribution obligation in strict compliance with the requirements of the laws and regulations and the requirements of the banking regulatory authority of the State Council, purchase shares of the Company with their own funds and ensure the funds are obtained from legal sources, rather than entrusted funds, debt funds and other funds not owned by themselves, unless otherwise prescribed by laws and regulations;

(3) not to withdraw their contributed share capital unless in such circumstances as stipulated by the laws and regulations;

(4) not to abuse the Company's independent status as a legal person and the shareholders' limited liability to damage the interest of the creditors of the Company;

(5) to perform their fiduciary duties to the Company;

(6) to support the reasonable capital plans formulated by the board of directors of the Company to enable the Company to meet regulatory capital requirements constantly; and

(7) other obligations imposed by the laws, regulations, regulatory documents and the Articles. Shareholders shall not be liable for making any additional contribution to the share capital other than according to the terms as agreed as a subscriber of the shares at the time of subscription.

Shareholders shall not be liable for making any additional contribution to the share capital other than according to the terms as agreed as a subscriber of the shares at the time of subscription.

FUNCTIONS AND POWERS OF THE SHAREHOLDERS' GENERAL MEETING

The shareholders' general meeting is the organ of authority of the Company and shall exercise the following functions and powers in accordance with laws:

(1) to decide the Company's operating policies and investment plans;

(2) to elect and replace the directors and supervisors who are not representative of the employees of the Company, and to decide on matters related to the emoluments of directors and supervisors;

(3) to consider and approve the reports of the board of directors;

(4) to consider and approve the reports of the board of supervisors;

(5) to consider and approve the annual financial budget and final account statement of the Company;

(6) to consider and approve the Company's profit distribution plan and loss recovery plan;

(7) to resolve on any increase or reduction in the Company's registered capital;

(8) to resolve on the issuance of corporate bonds, any class of shares, warrants or other marketable securities of the Company and their listing;

(9) to resolve on matters related to merger, separation, dissolution, liquidation of the Company or alternation on the form of the Company;

(10) to amend the Articles, the procedural rules of the shareholders' general meeting, and the meetings of the board of directors and the board of supervisors;

(11) to decide the engagement, dismissal or replacement of accounting firms of the Company;

(12) to resolve on matters related to repurchase of shares of the Company under the circumstances stipulated by items (1) or (2) of the first clause of Article 27 of the Articles;

(13) to consider and approve major investment and disposal of equity interests, investment and disposal of debentures, financing, pledges (securities) 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 major decisions of legal corporations;

(14) to consider and approve matters in relation to the change of use of the raised fund;

(15) to consider and approve share incentive scheme;

(16) to consider and approve any purchase, disposal or provision of guarantee with aggregate value of more than 30 per cent. of the total assets of the Company within a period of a year;

(17) to consider and approve related party transactions required to be approved by the shareholders' general meeting under the law, regulations, regulatory documents and the securities regulatory authorities of the place where the Company's shares are listed;

(18) to consider any motion raised by shareholders, individually or in aggregate, holding more than 3 per cent. of issued shares of the Company with voting rights;

(19) to determine the issuance of preference shares; to determine or authorise the board of directors to determine matters relating to preference shares issued by the Company, including but not limited to redemption, conversion and distribution of dividends, etc.

(20) to consider and approve all other matters which are required to be determined by the shareholders' general meeting under the laws, regulations, regulatory documents, applicable requirements of the securities regulatory authorities of the place where the Company's shares are listed and the Articles.

The above matters which are within the scope of authority of the shareholders' general meeting shall be considered and approved by the shareholders' general meetings. However, the shareholders' general meeting may delegate power to the board of directors to decide on such matters under necessary, reasonable and lawful circumstances.

The authorisation conferred by the shareholders' general meeting upon the board of directors shall be clear and specific. If the authorised matters shall be adopted by the shareholders' general meeting by way of ordinary resolution according to the Articles, such resolutions shall be passed by more than half of the voting rights held by the shareholders (including proxies) present at the shareholders' general meeting. If the authorised matters shall be adopted by the shareholders' general meeting by way of special resolutions according to the Articles, such resolution shall be passed by two-thirds or more of the voting rights held by the shareholders (including proxies) present at the shareholders' general meeting.

ANNUAL GENERAL MEETINGS AND EXTRAORDINARY GENERAL MEETINGS

Shareholders' general meetings include annual general meetings and extraordinary general meetings. The annual general meetings are required to be held once every year and within six months from the close of the preceding accounting year. If the meeting is deferred under special circumstances, the Company shall promptly report to the banking regulatory authority of the State Council and explain the reason therefor.

An extraordinary general meeting shall be convened within 2 months from the date of occurrence of any of the following events:

(1) the number of directors is lower than the minimum quorum or less than two-thirds of the total number of directors specified at the shareholders' general meeting;

(2) the uncovered loss of the Company reaches one-third of the Company's total share capital;

(3) shareholders who individually or jointly hold more than 10 per cent. of the voting shares of the Company request to convene the meeting in writing;

(4) the board of directors deems it necessary to convene the meeting;

(5) the board of supervisors proposes to convene the meeting; or

(6) any other circumstances as stipulated by the laws, regulations, regulatory documents and the Articles.

The shareholding of the shareholders mentioned in item (3) above shall be calculated as of the close of the date or, if it falls on a non-trading date, the prior trading date on which such shareholders request to convene the meeting in writing.

NOTICE OF SHAREHOLDERS' GENERAL MEETING

When the Company is to convene a shareholders' annual general meeting, the board of directors shall notify all shareholders in writing 20 working days before the meeting; when to convene an extraordinary general meeting, the board of directors shall notify all shareholders in writing 10 working days or 15 days (whichever is longer) before the meeting.

The notice of shareholders' general meeting shall be in written form and shall contain the following:

(1) the convener of the meeting;

(2) the location, date and duration of the meeting;

(3) the matters and all resolutions to be considered at the meeting. Proposed changes to any resolution passed at previous shareholders' general meeting shall be disclosed in full rather than disclosing the changes only;

(4) the information and explanation necessary for shareholders to make decisions regarding the matters to be discussed, including (but not limited to) specific terms and contracts (if any) for a proposed transaction, and a detailed explanation of the reasons and consequences where the Company proposes a merger, repurchase of shares, restructuring of shares or other form of restructuring;

(5) where any directors, supervisors and other senior management members have an important interest in matters to be discussed, the nature and extent of that interest shall be disclosed. Further, where the impact of the matters to be discussed by such directors, supervisors and other senior management members who are shareholders is different from the impact on other shareholders of the same class, the difference shall be explicitly explained;

(6) the full text of any special resolution proposed to be passed at the meeting;

(7) a prominent statement that shareholders entitled to attend the shareholders' general meeting may entrust one or more proxies, who does not need to be a shareholder of the Company, to attend the meeting and vote on their behalf;

(8) the time and place for the delivery of the proxy letter of the meeting;

(9) record date for determination of eligibility of shareholders for attending the shareholders' general meeting;

(10) name and contact information of the person for meeting enquiry;

(11) where the shareholders' general meeting is convened through the internet or by other means, particulars of the time and procedure of voting through internet or by other means.

Notice of shareholders' general meeting shall be served on shareholders (whether or not entitled to vote at the shareholders' general meeting) by personal delivery or prepaid mail to their addresses as shown in the register of members. For the holders of domestic shares of the Company, notice of the meeting may be issued by way of public notice.

The aforesaid public notice shall be published in one or more newspapers designated by the securities regulatory authority of the State Council. After the publication of such notice, the holders of domestic shares of the Company shall be deemed to have received the notice of the relevant shareholders' general meeting.

For holders of overseas listed shares, subject to the compliance with the laws, regulations, regulatory documents and the relevant requirements of the securities regulatory authorities of the place where the shares of the Company are listed, the notice of a general meeting may be published on the website of the Company and the Hong Kong Stock Exchange in place of personal delivery or prepaid mail to the holders of overseas listed shares.

The accidental omission to give notice of a meeting to, or the non-receipt of notice of a meeting by, any person entitled to receive notice shall not invalidate the meeting or any resolution adopted at that meeting.

SHAREHOLDER'S PROXY

Any shareholder entitled to attend and vote at a meeting of the Company shall be entitled to appoint one or more persons (whether a shareholder or not) as his/her proxy to attend and vote on his/her behalf. According to the appointment of the shareholder, a proxy so appointed shall:

(1) have the same right as the shareholder to speak at the meeting;

(2) have right to individually or join in demanding a poll; and

(3) have the right to vote by hand or on a poll, but when more than one proxy has been appointed, the proxies only have the right to vote on a poll.

Where the shareholder is a Recognised Clearing House or its agent, it may authorise one or more persons that it deems suitable to attend on its behalf any shareholders' general meeting or any class meeting of shareholders; however, if more than one person is authorised, the power of attorney shall specify the number and class of shares involved in the appointment of each such person. The person so appointed may exercise the rights of the Recognised Clearing House (or its agent) as if he/she was an individual shareholder of the Company.

RESOLUTIONS OF SHAREHOLDERS' GENERAL MEETING

Resolutions of shareholders' general meeting shall include ordinary resolutions and special resolutions. An ordinary resolution shall be passed by more than one-half of the voting rights held by the shareholders (including proxies) present at the meeting. A special resolution shall be passed by two-thirds or more of the voting rights held by the shareholders (including proxies) present at the meeting.

The following matters shall be approved by shareholders' general meeting by special resolution:

(1) increase or reduce of the Company's registered capital;

(2) merger, division, dissolution, liquidation and change of corporate form of the Company;

(3) issuance and listing of corporate bonds, any class of shares, warrants and other marketable securities;

(4) repurchase of Company's shares under the circumstances stipulated by items (1) or (2) of the first clause of Article 27 of the Articles;

(5) amendments to the Articles;

(6) share incentive scheme;

(7) purchase, disposal or provision of guarantee with aggregate value of more than 30 per cent. of the total assets of the Company within a period of a year;

(8) major investment and disposal of equity interests, investment and disposal of debentures, financing, pledges (securities) and guarantee of assets, purchases and disposal of fixed assets, disposal of debt-to-equity swap assets, writing off of assets, external donations and major decisions of legal corporations;

(9) alteration of profit distribution policy;

(10) other matters stipulated by laws, administrative regulations, regulatory documents, the requirements of the securities regulatory authorities of the place where the Company's shares are listed or the Articles, which shall be approved by special resolutions or matters which are significant to the Company and are determined by ordinary resolution of shareholders' general meeting to be approved by special resolutions.

Apart from the aforementioned matters, any other matters requiring approval at shareholders' general meeting shall be approved by ordinary resolutions.

VOTING RIGHT (WHICH SHALL MEAN IN GENERAL THE VOTING METHOD AND THE RIGHT TO REQUEST FOR VOTING)

Shareholders attending the shareholders' general meeting shall give their opinions on every resolution put forward at the meeting for resolution in the form of any one of the following: "for", "against" or "abstention".

Any voter with a vote that is not filled in, incorrectly filled in or in unrecognisable writing or not cast shall be deemed as having waived the voting right and the corresponding voting shall be counted as "abstention".

On a poll, a shareholder (including proxies) who is entitled to have two or more votes need not cast all his/her votes for or against a resolution.

CLASS SHAREHOLDERS

Shareholders holding different classes of shares shall be class shareholders.

Class shareholders shall enjoy the rights and assume the obligations in accordance with laws, administrative regulations and the Articles.

Class shareholders shall enjoy equal rights in any dividends or any other forms of distributions.

AMENDMENT TO THE RIGHTS OF EXISTING CLASS SHAREHOLDERS

If the Company proposes to modify or terminate the rights of a class of shareholders, it may do so only after such modification or termination has been approved by a special resolution of the shareholders' general meeting and a separate shareholders' general meeting convened by the affected shareholders of that class under Articles 113 to 117 of the Articles.

The following circumstances shall be deemed to be variation or abrogation of the rights of class shareholders:

(1) to increase or decrease the number of shares of such class, or to increase or decrease the number of shares of a class having voting or distribution rights or privileges equal to or more than those of the shares of such class;

(2) to convert all or part of the shares of such class into shares of another class or to convert or confer a right to convert all or part of the shares of another class into the shares of such class;

(3) to reduce or abrogate rights to accrued dividends or rights to cumulative dividends attached to shares of such class;

(4) to reduce or abrogate a dividend preference or a liquidation preference, during the process of the Company's liquidation, attached to shares of such class;

(5) to add, abrogate or reduce conversion rights, options, voting rights, rights of transfer or pre-emptive rights, or rights to acquire securities of the Company attached to shares of such class;

(6) to abrogate or reduce rights to receive payment payable by the Company in particular currencies attached to shares of such class;

(7) to create a new class of shares having voting or distribution rights or privileges equal to or more than those of the shares of such class;

(8) to impose or increase restrictions on the transfer or ownership of the shares of such class;

(9) to issue rights to subscribe for, or convert into, shares in the Company of such class or another class;

(10) to increase the rights and privileges of shares of other classes;

(11) to restructure the Company in accordance with restructuring plans which will result in different classes of shareholders bearing a disproportionate burden of responsibilities in such proposed restructuring; or

(12) to amend or abrogate provisions of the Articles.

Class shareholders affected, whether or not otherwise having the right to vote at shareholders' general meetings, shall nevertheless have the right to vote at class meetings in respect of matters concerning items (2) to (8), (11) and (12) of the preceding Article, but interested shareholder(s) shall not be entitled to vote at class meetings.

"Interested shareholder(s)" in prior provision shall have the following meaning:

(1) if the Company has made a repurchase offer to all shareholders on pro rata basis or made a repurchase by means of public transaction at the stock exchange in accordance with Article 28 of the Articles, "interested shareholder(s)" shall refer to the controlling shareholders as defined in Article 297 of the Articles;

(2) if the Company has made a repurchase by means of agreement outside the stock exchange in accordance with Article 28 of the Articles, "interested shareholder(s)" shall refer to the shareholders who are parties to such agreements; or

(3) in a restructuring plan of the Company, "interested shareholder(s)" refers to those shareholders who assume less responsibilities than other shareholders of the same class or those shareholders who enjoy interests different from other shareholders of the same class.

Resolutions of a class meeting shall be passed by votes representing two-thirds or more of the voting rights held by the shareholders of that class present at the relevant meeting who are entitled to vote pursuant to the preceding Article.

The special voting procedures at a class meeting shall not apply in the following circumstances:

(1) where the Company issues domestic shares and overseas listed shares, either separately or concurrently, once every 12 months not more than 20 per cent. of each of its domestic shares and overseas listed shares that are already issued pursuant to approval by a special resolution of shareholders' general meeting;

(2) where the Company issues domestic shares and overseas listed shares under a plan adopted at the time of its establishment within 15 months from the date when the plan is approved by the securities regulatory authorities of State Council; or

(3) where the MOF arrange for the listing and trading of its shares as a promoter on an overseas stock exchange pursuant to approval of the securities regulatory authority of the State Council.

BOARD OF DIRECTORS

The board of directors shall perform the following duties in accordance with laws:

(1) to convene and report its work to the shareholders' general meeting;

(2) to implement the resolutions of the shareholders' general meetings;

(3) to determine the development strategies, operation plans and investment plans of the Company, and supervise the implementation;

(4) to formulate capital plans;

(5) to formulate annual financial budget and final account statement of the Company;

(6) to formulate profit distribution plan and loss recovery plan of the Company;

(7) to formulate plans for the increase or reduction of the registered capital;

(8) to formulate plans for merger, division, dissolution and change of the form of the Company;

(9) to formulate plans for the issuance of corporate bonds, any types of shares, warrants or other marketable securities and listing of the Company;

(10) to formulate share repurchase plans of the Company under the circumstances stipulated by items (1) or (2) of the first clause of Article 27 of the Articles;

(11) to resolve on matters related to repurchase of shares of the Company under the circumstances stipulated by items (3), (5) or (6) of the first clause of Article 27 of the Articles;

(12) to formulate amendments to the Articles, the rules of procedures of the shareholders' general meeting and the rules of procedures of the board of directors;

(13) to consider and approve the terms of reference of the president;

(14) to appoint or dismiss the president and the board secretary of the Company;

(15) to appoint or dismiss vice presidents, assistants to president and other senior management members (excluding the board secretary) as nominated or suggested by the president;

(16) to determine the chairman (other than the chairman of the strategic development committee) and members of each special committee under the board of directors;

(17) to formulate the assessment methods and remuneration package of directors for the approval by the shareholders' general meeting;

(18) to determine the remuneration, performance review and award and punishment mechanism of the senior management members of the Company;

(19) to formulate the basic management system of the Company and supervise its implementation;

(20) to determine the risk management, compliance and internal control policies of the Company and formulate systems in relation to the internal control and compliance management of the Company;

(21) to determine the structure of internal departments and branches of the Company;

(22) to evaluate and improve the corporate governance of the Company;

(23) to formulate share incentive schemes;

(24) to manage the information disclosure and investors' relation management of the Company, and assume the ultimate responsibility for the truthfulness, accuracy, completeness and timeliness of the accounting and financial reports of the Company;

(25) to propose the appointment, dismissal or termination of appointment of accounting firm to the shareholders' general meeting;

(26) to consider and approve, or authorise the related party transaction management committee under the board of directors to approve, related party transactions, except for those which shall be considered and approved by the shareholders' general meeting as required by laws;

(27) within the scope of approval by a shareholders' general meeting, to consider and approve the major investment and disposal of equity interests, investment and disposal of debentures, financing, pledges (securities) and guarantee of assets, purchases and disposal of fixed assets, disposal of debt-to-equity swap assets, writing off of assets, external donations of the Company and major decisions of legal corporations;

(28) to consider and approve the proposals of each special committee of the board of directors;

(29) to consider the work reports of the president to ensure that each director obtains the information related to the fulfilment of his/her duties in accordance with the relevant regulatory requirement in a timely manner; to review the work of senior management members to ensure their effective performance of management duty;

(30) to approve internal audit management system and regulations, medium-to-long term audit plan, annual working plan and internal audit system, determine or authorise the audit committee to determine the internal audit budget, remuneration of staff and the appointment and removal of major officers in charge, and ensure the independence of internal audit; and

(31) to perform other duties as provided for by laws, regulations, regulatory documents, the rules of the securities regulatory authorities of the place where the shares of the Company are listed and the requirements of the Articles and as authorised by the shareholders' general meeting.

The above issues within the power of the board of directors shall be reviewed and decided by the board meetings but may be delegated to the chairman or the president for making decision thereon provided that it is necessary, reasonable and lawful. The matters for delegation shall be approved either by a majority or two-thirds of the directors if the matters are so provided under the Articles. The content of the delegation by the board of directors shall be specific, and the terms and conditions of the delegation shall be determined in writing.

DISPOSAL OF FIXED ASSETS

The board of directors shall not, without the prior approval of or consent of the shareholders' general meeting, dispose or agree to dispose, of any fixed assets where the aggregate amount of the expected value of the consideration for the proposed disposition and the total value of the consideration for any disposition of any fixed assets that has been completed within four months immediately preceding the proposed disposition exceeds 33 per cent. of the value of the fixed assets as shown in the latest balance sheet reviewed by the shareholders' general meeting. For the purposes of this paragraph, a disposition of fixed assets may refer to an act involving the transfer of an interest in assets but does not refer to provision of security by way of fixed assets.

The validity of a disposition transaction by the Company of its fixed assets shall not be affected by the violation of the above provision.

CHAIRMAN OF THE BOARD

The chairman of the board of directors shall perform the following duties:

(1) to preside over the shareholders' general meetings and to report to the shareholders' general meeting on behalf of the board of directors;

(2) to convene and preside over the board meetings, to formulate and approve the agenda of the board meetings;

(3) to supervise and inspect the implementation of the resolutions of the board of directors;

(4) to sign the share certificate, bonds and other marketable securities issued by the Company;

(5) to exercise the functions and powers in the capacity of the legal representative of the Company;

(6) in the event of force majeure such as severe natural disasters or other emergencies, to take immediate actions in the interest of the Company and report immediately thereafter to the board of directors and the shareholders' general meeting; and

(7) any such other functions and powers as provided for by relevant laws, regulations, regulatory documents, the rules of the securities regulatory authorities of the place where the Company's shares are listed and the Articles and as granted by the board of directors.

In the event that the chairman is unable or fails to perform his/her duties, the vice chairman shall perform his/her functions and powers on his/her behalf. In the event that the vice chairman is unable or fails to perform his/her duties, a director shall be elected by more than half of the directors to perform the chairman's functions and powers.

BOARD RESOLUTIONS

Unless otherwise provided in the Articles, a board meeting shall be held only if more than half of the directors (including those who appoint other directors to attend the meeting on their behalf) are present. If some of the directors have significant interest in any matters to be discussed, the director shall not exercise his/her voting right on the matter or exercise any voting right on behalf of any other directors. The board meeting shall only be held if a simple majority of the directors who do not have any material interest are present. The board meeting may be held by onsite meeting or by way of correspondence. For the convenience of the directors, onsite meetings may be held by telephone, video or others means, and directors present at the meetings by such means shall be deemed to attend the meeting in person. Reasons shall be provided for a board meeting held by circulation of written resolution.

Resolutions of the board of directors shall be passed by a majority vote of all directors, whereas resolutions concerning the following shall be passed by two-thirds or more of all directors and the board meeting shall not be held in the form of signing a written circular:

(1) to formulate annual financial budget and final account statement of the Company;

(2) to formulate profit distribution plan and loss recovery plan of the Company;

(3) to increase or reduce the registered capital;

(4) to formulate plans for capital replenishment;

(5) merger, division, dissolution, or changes of the form of the Company;

(6) major equity changes and financial restructuring;

(7) to formulate plans for issuance of corporate bonds, any types of shares, warrants or other securities by the Company and listing of the Company;

(8) to formulate plans for share repurchase plans of the Company;

(9) to formulate amendments to the Articles;

(10) to appoint or dismiss senior management members of the Company and determine the remuneration, performance review and award and punishment mechanism of the senior management members of the Company;

(11) to determine the chairman (other than the chairman of the strategic development committee) and members of each special committee under the board of directors;

(12) to propose the appointment, dismissal and termination of appointment of accounting firm to the general meeting;

(13) within the scope of approval by a shareholders' general meeting, to consider and approve the major investment and disposal of equity interests, investment and disposal of debentures, financing, pledges (securities) and guarantee of assets, purchases and disposal of fixed assets, disposal of debt-to-equity swap assets, writing off of assets, external donations of the Company and major decisions of legal corporations;

(14) other matters that after being passed by the board of directors as ordinary resolutions, to be of a material effects on the Company, have to be passed by not less than two-thirds of the directors;

(15) to approve any annual cap or one-off donations for the relief of regions with material contingencies which are beyond the scope of approval by the shareholders' general meeting; and

(16) to approve other resolutions which shall be passed by not less than two-thirds of the directors as provided for by laws, regulations, regulatory documents, the rules of the securities regulatory authorities of the place where the shares of the Company are listed and the requirements of the Articles.

BOARD OF SUPERVISORS

The board of supervisors shall perform the following duties:

(1) to supervise the adoption by the board of directors 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 of directors 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 of the Company;

(4) to conduct overall assessment on the performance of duties by directors, supervisors and senior management members of the Company, and to report the final assessment results to the banking regulatory authority of the State Council and report the same to the shareholders' general meeting;

(5) to urge the board of directors and senior management members to correct their acts which have impaired the interests of the Company, to propose the removal of directors and senior management members who are in breach of the laws, administrative regulations, the Articles or resolutions of the shareholders' general meeting, and to initiate litigation against directors or senior management members in accordance with the Company Law;

(6) to submit proposals to the shareholders' general meeting, to propose the convening of extraordinary shareholders' general meeting and to convene and preside over shareholders' general meetings when the board of directors fails to perform its duty of convening and presiding over the shareholders' general meeting under laws, regulations and the Articles, and to propose to convene an extraordinary meeting of the board of directors;

(7) 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;

(8) to nominate Shareholder Representative Supervisors, external supervisors and independent directors, and supervise the election and appointment procedures of directors;

(9) to appraise the scientificity and rationality of the remuneration system and policy of the Company as well as the remuneration scheme of senior management members, and formulate assessment methods and remuneration scheme of supervisors and submit to the shareholders' general meeting for approval;

(10) to formulate amendments to the rule of procedures of the board of supervisors; and

(11) to perform other duties as provided for by laws, regulations, regulatory documents, the rules of the securities regulatory authorities of the place where the shares of the Company are listed and the requirements of the Articles.

Supervisors may attend the meetings of the board of directors and the senior management members and may make enquiries or suggestions on the resolutions. The board of supervisors may carry out investigation if any irregularities of the operation of the Company are identified. The board of supervisors may exercise its right, if necessary, to engage intermediaries and professionals for assistance at the reasonable expense of the Company.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT MEMBERS

Requirements on the Holding of the Company's Shares by Directors

There is no requirement regarding on the holding of the Company's shares by the directors.

Power of Distribution and Issuance of Shares

The directors may formulate plans for the issuance of corporate bonds, any class of shares, warrants or other marketable securities of the Company and their listing according to law.

Remuneration, Compensation or Payment for the Loss of Office

With the prior approval at a shareholders' general meeting, the Company shall sign written contracts with its directors and supervisors concerning his/her emoluments. Such emoluments include:

(1) emoluments in respect of his/her service as a director, supervisor or senior management member of the Company;

(2) emoluments in respect of his/her service as a director, supervisor, or senior management member of a subsidiary of the Company;

(3) emoluments otherwise in connection with the provision of other management services to the Company or its subsidiary; and

(4) compensation for his/her loss of office or retirement as a director or supervisor.

A director or supervisor shall not file any lawsuit against the Company for the benefits they are entitled to for the foregoing matters other than pursuant to the aforesaid contracts.

Provision of Loan to the Company's Directors, Supervisors and Senior Management Members

The Company shall not directly or indirectly make a loan to, or provide any guarantee in connection with the making of a loan to any of the directors, supervisors or senior management members, or any of their respective Associates.

However, the following transactions are not subject to such prohibition:

(1) the provision by the Company of a loan or a guarantee of a loan to a subsidiary of the Company;

(2) the provision by the Company of a loan or a guarantee in connection with the making of a loan or any other funds to any of the directors, supervisors and senior management members to meet expenditure incurred by him/her for the purposes of the Company or for the purpose of enabling him/her to perform his duties, in accordance with the terms of an employment contract approved by shareholders' general meeting; and

(3) the Company may provide a loan or a guarantee in connection with the provision of a loan to any of the directors, supervisors and senior management members or their respective Associates in the ordinary course of its business on normal commercial terms, provided that the ordinary course of business of the Company includes providing loans and guarantees.

Disclosure of Interests in Contracts to be entered into with the Company

Where a director, supervisor, or senior management member of the Company in any way, directly or indirectly, has a material interest in a contract, transaction or arrangement or proposed contract, transaction or arrangement with the Company (other than his/her contract of service with the Company), he/she shall declare the nature and extent of his/her interests to the board of directors at the earliest opportunity, whether or not the relevant matters thereof is otherwise subject to the approval of the board of directors under normal circumstances.

Unless the interested director, supervisor or senior management member discloses his/her interests in accordance with the above paragraph and the relevant matter is approved at a meeting of the board of directors in which such interested director, supervisor or senior management member is not counted in the quorum and refrains from voting, a contract, transaction or arrangement is voidable by the Company, except against a bona fide party thereto acting without notice of the breach of duty by the relevant director, supervisor or senior management member.

A director, supervisor or senior management member of the Company is deemed to have an interest in a contract, transaction or arrangement in which an associate(s) of him/her has an interest.

Nomination and Selection of Directors

The directors of the Company include executive directors and non-executive directors. Non-executive directors include independent directors.

Directors shall be elected at the shareholders' general meeting. The term of office of a director is three years commencing from the date of approval by the banking regulatory authority of the State Council. The director shall be eligible for re-election upon expiry of his/her term of office. The term of office of any re-elected directors shall commence from the date of election at the shareholders' general meeting.

Nomination and Selection of Supervisors

A supervisor shall be a natural person. The supervisors of the Company consists of supervisors as representatives of the shareholders ("**Shareholder Representative Supervisors**"), external supervisors and supervisors as representatives of the employees ("**Employee Representative Supervisors**"). Shareholder Representative Supervisors and external supervisor shall be elected, replaced or removed by the shareholders' general meeting. Employee Representative Supervisors of the Company shall be elected, replaced or removed at the employees' representative meeting by the employees of the Company. Directors and senior management members of the Company shall not be the supervisors concurrently.

The external supervisors of the Company refer to supervisors who have not taken up any position in the Company other than that of a supervisor, and do not have any relationship with the Company and its substantial shareholders, de facto controller or other related entities or individuals which may hinder them from forming independent and objective judgements.

The Company shall have at least two external supervisors. The external supervisors shall be nominated by the board of supervisors or by shareholders individually or jointly holding not less than 1 per cent. of the voting shares in the Company, and shall be elected by the shareholders' general meeting. The term of office of a supervisor shall be three years. The term of office of a supervisor shall be calculated from the date on which the resolution is approved by the shareholders' general meeting or the date on which he or she is elected at the employee representatives' general meeting or by other democratic procedures. A supervisor may be re-elected after the expiration of his/her term of office. Supervisors cannot be removed without reason before the expiry of their terms of office. The accumulated term for an external supervisor in the Company shall not exceed six years. A shareholder representative supervisor shall work in the Company for at least 15 working days each year.

Removal and Resignation of Directors

Prior to the expiration of the term of office of the director, he/she shall not be removed by the shareholders' general meeting without appropriate reasons. However, in accordance with applicable laws and administrative regulations, the shareholders' general meeting shall have the power to remove any director by ordinary resolution before the expiration of his/her term of office without prejudice to any claim for damages by the director pursuant to any contract. A director may resign before the expiry of his/her term of office. The resigning director shall submit a written resignation to the board of directors. In case that the number of directors falls below the quorum as a result of delayed re-election upon expiry of the terms of directors of the current session or resignation of directors, the existing directors shall continue to perform his/her duties as a director in accordance with the laws, regulations, regulatory documents and the Articles till a new director takes his/her office. The resignation of director shall not take effect until the new director is elected to take the place of the resigning director. Other than the circumstances specified in the preceding paragraph of this Article, the resignation of a director shall take effect upon receipt of the resignation letter by the board of directors. Under the aforesaid circumstances, the board of directors shall convene an extraordinary general meeting immediately to elect a new director to fill the vacancy.

Removal and Resignation of Supervisors

A supervisor who fails to attend two consecutive meetings of the board of supervisors in person or appoint another supervisor to attend such meetings on his/her behalf, or attends in person less than two-thirds of all meetings of the board of supervisors in a year shall be deemed unable to perform his/her duties, and the board of supervisors shall propose to the general meeting of shareholders to remove the supervisor or suggest that the supervisor be removed through employee representatives meeting or other forms of employee democratic procedures. A supervisor may resign before the expiration of his/her term of office. The resigning supervisor shall submit a written resignation to the board of supervisors. The provisions on the resignation of directors under Section 1 of Chapter 9 in the Articles shall be applicable.

PROFIT DISTRIBUTION

The after-tax profits of the Company shall be distributed in the following order of priority:

(1) offsetting the losses in previous years;

(2) contributing 10 per cent. of them to its statutory reserve fund;

(3) contributing to its general reserves in accordance with the applicable laws, regulations, regulatory documents and the relevant requirements of the relevant regulatory authorities of the State;

(4) contributing to its discretionary reserves fund in accordance with the resolution of shareholders' general meetings;

(5) paying dividends to its shareholders.

No further contribution to the statutory reserves fund is required when the cumulative amount of the statutory reserves fund exceeds 50 per cent. of the registered capital of the Company.

Any distribution of the profits of the Company to any shareholders before offsetting losses or contributing to statutory reserves fund in violation of item (1) above shall forthwith be returned to the Company.

The shares held by the Company shall not be distributed as dividends. In the event of misappropriation of capital by shareholders, the Company shall deduct the cash dividends distributable to such shareholders in order to repay the misappropriated capital.

The payment of dividends on preference shares shall be subject to laws, administrative regulations, departmental rules, relevant provisions of the securities regulatory authorities of the place where the Company's shares are listed and where the preference shares are issued or listed, and the Articles.

DIVIDENDS AND OTHER DISTRIBUTIONS

The Company may distribute final or interim dividend in forms of cash and shares. Profit distribution policy of the Company shall be consistent and stable, and shall take into account of the long-term interest of the Company, the interests of the shareholders as a whole and the sustainable development of the Company. The Company shall give priority to profit distribution in cash.

Except under special circumstances, profits distributed in cash for each year shall not be less than 10 per cent. of the net profit attributable to the shareholders of the group for such financial year. The Company may adjust its profit distribution policy due to force majeure such as war or natural disaster, or changes in external operation environment which have material effects on the operation of the Company, or significant changes in the operation conditions of the Company. The adjustment of profit distribution policy shall be submitted by the board of directors to the shareholders' general meeting for approval by special resolution.

Special circumstances refer to the prohibition of dividend distribution by laws and regulations, including but not limited to the general reserves or capital adequacy levels failing to comply with regulatory requirements.

Shareholders are entitled to receive interests payable in respect of any capital paid up for the shares before the date of payment ("**Date of Payment**") specified by the Company. However, shareholders may not participate in the dividend distribution declared before the Date of Payment in respect of any shares paid up prior to the Date of Payment.

ACCOUNTS AND AUDIT

The Company shall establish an internal audit system and staff full time auditing professionals to conduct independent supervision, inspection and assessment on the financial income and expenses, business activities, risk exposure and internal control of the Company, and report any material matters found in the course of auditing to the board of directors or the audit committee of the board of directors.

The board of directors of the Company shall be responsible for approving internal audit basic management system and regulations, medium-to-long term audit plan, annual working plan and internal audit system, determining or authorising the audit committee to decide internal audit budget, remuneration of staff and the appointment and removal of major officers and ensuring the independence of internal audit.

The senior management members of the Company shall ensure and facilitate the implementation of the internal audit system and performance of duties by the internal audit personnel of the Company, and shall, in need of the internal audit, promptly provide the internal audit department with materials and information in relation to the financial position, risk exposure and internal control of the Company, and shall not hinder or impede the internal audit department from conducting audit within its scope of duties.

In addition to financial statements prepared in accordance with PRC accounting standards and regulations, the Company may also prepare its financial statements according to the international accounting standards or overseas accounting standards in the place where the Company's shares are listed. Material differences between the financial statements prepared according to different accounting standards shall be explicitly explained in the notes to the financial statements. When distributing the after-tax profits in the fiscal year, the Company shall base on the lower of the after-tax profits in the aforesaid two financial statements. The interim results or financial information announced or disclosed by the Company shall be prepared in accordance with PRC accounting standards and regulations, and additionally may also be prepared according to the international accounting standards or overseas accounting standards in the place where the Company's shares are listed.

APPOINTMENT, DISMISSAL AND RESIGNATION OF AN ACCOUNTING FIRM

The Company shall appoint an independent accounting firm which is qualified under relevant regulations of the PRC to audit the annual financial reports and other reports of the Company. The board of supervisors shall monitor the independence and effectiveness of external audit.

The term of office of the accounting firm appointed by the Company shall commence from the conclusion of the annual general meeting at which the appointment is made and shall end at the conclusion of the next annual general meeting.

An accounting firm appointed by the Company shall have the following rights:

(1) to inspect the accounting books, records and documents of the Company at any time, and to request the directors and senior management members of the Company to provide relevant information and explanation;

(2) to request the Company to adopt all reasonable measures to obtain from its subsidiaries such information and explanation as required by the accounting firm for performing its duties; and

(3) to attend the shareholders' general meeting, and to obtain the notice of the meeting or other information regarding the meeting, and to explain any matters related to it as the accounting firm engaged by the Company at the shareholders' general meeting.

The board of directors shall fill any casual vacancy in the office of the accounting firm before the convening of shareholders' general meeting subject to the approval of the following annual general meeting. If the Company has other serving accounting firm, such accounting firm shall continue to perform its duties as long as the vacancy remains unfilled.

Notwithstanding the terms of contract between an accounting firm and the Company, the shareholders' general meeting may dismiss that firm by ordinary resolution before the expiration of term of office of the accounting firm. The dismissal shall not limit the rights of the accounting firm to claim for compensation.

The emoluments or the basis of emoluments of the accounting firm shall be determined by the shareholders' general meeting. The emoluments of the accounting firm appointed by the board of directors shall be determined by the board of directors.

The appointment, dismissal and non-reappointment of an accounting firm by the Company shall be resolved at shareholders' general meeting and shall be filed with the relevant securities regulatory authority of the State Council. The shareholders' general meeting shall abide by the following provisions when proposing to pass a resolution regarding the appointment of an accounting firm not currently serving the Company to fill the vacancy of an accounting firm, or the renewal of terms of service of an accounting firm appointed by the board of directors to fill a vacancy, or the dismissal of an accounting firm before the expiry of its term:

(1) the proposal of appointment or dismissal shall be sent to the accounting firm to be appointed, to be or has been terminated prior to the issue of notice of shareholders' general meeting.

    The termination of an accounting firm includes dismissal, resignation and retirement.

(2) if the accounting firm being terminated requires the Company to forward its written statement of shareholders, the Company shall take the following measures unless the written statement is not received in time:

    (i) to state on the notice issued for adoption of the resolution that an accounting firm about to leave its post has made a statement; and

    (ii) to deliver a copy of the statement to shareholders as an appendix to the notice to of meeting in accordance with the Articles.

(3) if the statement of the accounting firm is not delivered in accordance with paragraph (2) above, the relevant accounting firm may request such statement to be read at the shareholders' general meeting and may make further appeals.

(4) the accounting firm leaving its post shall be entitled to attend the following meetings:

    (i) the shareholders' general meeting at which its term of service would otherwise have expired;

    (ii) the shareholders' general meeting for filling the vacancy caused by its dismissal; and

    (iii) the shareholders' general meeting convened as a result of its voluntary resignation.

The accounting firm leaving its post shall be entitled to receive all notices of the aforementioned meetings and other information relating to such meetings and shall also be entitled to present its views at the meetings on matters in relation to its previous engagement as the accounting firm of the Company.

The Company shall notify the accounting firm in advance before the dismissal or non-reappointment of such accounting firm. The accounting firm shall be allowed to present its view at the shareholders' general meeting at which the dismissal is considered. Where the accounting firm resigns, it shall be requested by the Company to explain to the shareholders' general meeting whether there is any impropriety on the part of the Company.

Any accounting firm may resign its office by depositing at the legal residence of the Company a resignation notice which shall become effective on the date of such deposit or on such later date as may be stipulated in such notice. Such notice shall include the following:

(1) a statement to the effect that there are no circumstances in relation to its resignation which should be brought to the notice of the shareholders or creditors of the Company; or

(2) a statement of any relevant situations which needs to be brought to the notice.

The Company shall send a copy of the notice to the relevant authorities of the State within 14 days upon receipt of the written notice. If the notice contains a statement under sub-paragraph (2) above, a copy of such statement shall be placed at the Company for shareholders' inspection. The copy of such statement shall also be sent by prepaid mail to holder of the overseas listed shares of the Company at the address as recorded in the register of member.

Where the accounting firm's notice of resignation contains a statement of any circumstances which should be brought to the notice of the shareholders of the Company, the accounting firm may require the board of directors to convene a shareholders' extraordinary general meeting for the purpose of giving an explanation of the circumstances connected with its resignation.

LIQUIDATION PROCEDURES

In any of the following circumstances, the Company may be dissolved in accordance with the laws:

(1) dissolution as resolved by a shareholders' general meeting;

(2) dissolution as a result of merger or division of the Company;

(3) its business licence is revoked or it is ordered to close down its business or its business licence is cancelled in accordance with the laws;

(4) declaration of bankruptcy in accordance with the laws; or

(5) where the Company suffers significant hardship in its operation or management so that the interests of its shareholders are subject to significant loss if the Company continues to exist, and that the situation cannot be resolved by any other means, the shareholders holding 10 per cent. or more of the voting rights of all the shareholders of the Company may petition the people's court to dissolve the Company.

Where the Company is dissolved in accordance with item (1) or (5) of Article 268 of the Articles, a liquidation committee shall be formed according to the laws within 15 days after obtaining the approval of the banking regulatory authority of the State Council. The members of the liquidation committee shall be determined by way of ordinary resolution at shareholders' general meeting.

Where the Company is dissolved in accordance with item (3) of Article 268 of the Articles, the banking regulatory authority of the State Council shall set up a liquidation committee consisting of shareholders, relevant institutions and relevant professionals to carry out the liquidation.

Where the Company is dissolved in accordance with item (4) of Article 268 of the Articles, the people's court shall set up a liquidation committee consisting of shareholders, relevant institutions and relevant professionals according to the laws to carry out the liquidation.

Where the board of directors decides to liquidate the Company (due to causes other than where the Company has declared that it is insolvent), the board of directors shall, in its notice convening a shareholders' general meeting, declare that, after making full inquiry into the affairs of the Company, the board of directors is of the opinion that the Company will be able to repay its debts within 12 months after the commencement of the liquidation.

Upon passing of the resolution at the shareholders' general meeting for the liquidation of the Company, all functions and powers of the board of directors shall cease forthwith.

The liquidation committee shall act in accordance with the instructions of the shareholders' general meeting and report at least once a year to the shareholders' general meeting on the committee's receipts and payments, the business of the Company and the progress of the liquidation and to present a final report before the shareholders' general meeting on completion of the liquidation.

The liquidation committee shall exercise the following functions and powers during the liquidation:

(1) to sort out the property of the Company and prepare a balance sheet and an inventory of assets respectively;

(2) to give notices or publish announcements to the creditors;

(3) to deal with and liquidate any unsettled business of the Company;

(4) to settle due taxes and taxes accrued during the liquidation;

(5) to settle claims and debts;

(6) to deal with the remaining assets of the Company after the Company's debts have been repaid; and

(7) to participate in civil litigations on behalf of the Company.

The liquidation committee shall give notices to the creditors within 10 days after its establishment and issue announcements for at least three times in the newspaper within 60 days after its establishment. The creditors shall report claims to the liquidation committee within 30 days after the date of the receipt of such notices or within 45 days after the date of the first announcement if no notice is received.

When reporting claims, a creditor shall explain the relevant particulars of the claims and provide supporting materials. The liquidation team shall register the claims.

In the period of reporting claims, the liquidation committee should not make any debt repayment to the creditors.

After the liquidation committee has sorted out the property of the Company and prepared a balance sheet and an inventory of assets, it shall formulate a liquidation scheme and report it to the shareholders' general meeting, the people's court or the relevant authorities of the State for confirmation.

The remaining property of the Company shall be distributed to the shareholders in proportion of shares held by each of the shareholder after payments have been made of the liquidation fees, salaries of the employees, social security expenses and statutory compensation, taxes and debts of the Company.

During the liquidation, the Company remains in existence but shall not carry out any operating activity which does not relate to the liquidation. The property of the Company shall not be distributed to the shareholders before is the debts are settled pursuant to the preceding paragraph.

After the liquidation committee has sorted out the property of the Company and prepared a balance sheet and an inventory of assets, in the event that the property of the Company is insufficient to repay the debts, the liquidation committee shall apply to the people's court for declaration of bankruptcy.

After the people's court declares bankruptcy of the Company, the liquidation committee shall hand over the liquidation matters to the people's court.

After the completion of liquidation, the liquidation committee shall prepare a liquidation report for the approval by the shareholders' general meeting or relevant competent regulatory authority. The liquidation committee shall, within 30 days after the confirmation of the shareholders' general meeting or competent regulatory authority, submit the aforesaid documents to the company registration authority, apply to deregister the Company and publish an announcement on the dissolution of the Company.

Members of the liquidation committee shall be dedicated to their duties and carry out the liquidation work in accordance with the laws.

Members of the liquidation committee shall not abuse their powers to receive bribes or other illegal income and shall not misappropriate the property of the Company.

Any member of the liquidation committee shall be liable for any loss caused to the Company or creditors due to his intentional misconduct or gross negligence.

Where the Company is declared bankrupt according to the laws, the liquidation shall be carried out in accordance with relevant laws on corporate bankruptcy.

ALTERATIONS TO THE ARTICLES OF ASSOCIATION

The Company may amend the Articles in accordance with the laws, regulations and the Articles.

The Company shall amend the Articles in any of the following circumstances:

(1) any terms contained in the Articles becoming inconsistent with the provisions of the amended PRC Company Law and other relevant laws and regulations from time to time;

(2) changes of the Company resulting in the non-compliance with the Articles; or

(3) a resolution being passed by the shareholders' general meeting to amend the Articles.

Any amendments to the Articles which are subject to approval by relevant authorities shall be filed to the relevant authorities for approval. Where an amendment to the Articles shall be subject to registration, the Company shall register such amendments in accordance with the laws.

The board of directors shall amend the Articles in accordance with the resolution and authorisation in relation to the amendments to the Articles passed at a shareholders' general meeting and the opinion given by the relevant authorities of the State and shall register the amendments with the competent authority.

SETTLEMENT OF DISPUTES

The Company follows the following rules for settlement of dispute:

(1) Any dispute or claim of rights relating to the affairs of the Company and arising between holders of overseas listed shares and the Company, or between holders of overseas listed shares and directors, supervisors or senior management members of the Company, or between holders of overseas listed shares and holders of domestic shares, and arising as a result of the rights and obligations provided for in the Articles, the Company Law and other applicable laws, administrative regulations, shall be referred to arbitration by the parties involved.

Where a dispute or claim of rights referred to in the preceding paragraph is referred to arbitration, the entire claim or dispute must be referred to arbitration, and all persons who have a cause of action based on the same facts giving rise to the dispute or claim or whose participation is necessary for the resolution of such dispute or claim, where the persons being the Company or shareholders, directors, supervisors or senior management members of the Company, shall comply with the arbitration.

Disputes in respect of the definition of shareholders and in relation to the register of members need not be resolved by arbitration.

(2) A claimant may elect for arbitration to be carried out at either the China International Economic and Trade Arbitration Commission in accordance with its arbitration rules or the Hong Kong International Arbitration Centre in accordance with its securities arbitration rules. Once a claimant refers a dispute or claim to arbitration, the other party must submit to the arbitral body elected by the claimant. If the claimant elects for arbitration to be carried out at the Hong Kong International Arbitration Centre, any party may request the arbitration to be conducted in Shenzhen in accordance with the securities arbitration rules of the Hong Kong International Arbitration Centre.

(3) The resolution of any dispute or claim of rights referred to in term (1) above by arbitration is subject to the PRC laws, unless otherwise required by the laws and administrative regulations.

(4) An arbitral award made by the arbitral body is final and binding on all parties.

SPECIAL PROVISIONS ON PREFERENCE SHARES

Management of Preference Shares

Unless otherwise specified in laws, administrative regulations, departmental rules, regulations of the securities regulatory authorities in the place where the shares of the Company are listed and Chapter 21 of the Articles, the rights and obligations of holders of preference shares and management of preference shares shall be governed by the provisions relating to ordinary shares in the Articles.

Restrictions on the Size of Issuance of Preference Shares

The number of preference shares issued by the Company shall not exceed 50 per cent. of the total number of ordinary shares of the Company, and the capital raised from the issuance of preference shares shall not be more than 50 per cent. of the net assets value of the Company prior to the relevant issuance (excluding the preference shares that have been redeemed or converted).

Mandatory Conversion

The Company formulates terms governing the mandatory conversion of the preference shares into ordinary shares, namely, upon the occurrence of certain trigger events, the Company shall convert the preference shares into ordinary shares in accordance with the conversion price and conversion amount as determined at the time of issuance of the preference shares. In circumstances when the preference shares shall be mandatorily converted into ordinary shares, the Company shall report such conversion to banking regulatory authorities under the State Council for review and approval.

Put Option and Redemption

The preference shares issued by the Company shall not have any put option. Subject to the approval of the banking regulatory authorities under the State Council and upon compliance with the relevant requirements, the Company has the right to redeem all or part of the preference shares after the fifth year (inclusive) following the date of the relevant issuance of the preference shares or in circumstances acknowledged by such regulatory authorities as the banking regulatory authorities under the State Council. The redemption period of the preference shares commences on such date as agreed upon at the time of issuance of the preference shares and ends on the date of redemption or conversion of all the preference shares. The Company shall write down the total amount of outstanding preference shares after the Company redeems the preference shares.

The exercise by the Company of its right to redeem the preference shares shall be subject to the fulfilment of the following conditions:

(1) the Company shall use capital instruments of the same or superior quality to replace the preference shares to be redeemed and such replacement shall only be made at a time at which the Company has a sustainable income generating capability; or

(2) the capital position of the Company after redemption of the preference shares will remain significantly higher than the regulatory capital requirements prescribed by the banking regulatory authorities under the State Council.

The redemption price of preference shares will be an amount equal to the issue price plus the amount of dividend declared but unpaid for the current period.

Rights of Holders of Preference Shares

Holders of preference shares of the Company shall enjoy the following rights:

(1) to receive distribution of dividends in priority to ordinary shareholders;

(2) to receive distribution of residual assets of the Company on liquidation in priority to ordinary shareholders;

(3) upon the occurrence of the circumstances provided in Article 293, to attend and vote at shareholders' general meetings;

(4) upon the occurrence of the circumstances provided in Article 294, to have its voting rights restored in accordance with the requirements of that article;

(5) to make proposals or inquiries in relation to the business operations and activities of the Company;

(6) to inspect the Articles, register of members, record of bondholders, minutes of shareholders' general meetings, resolutions of meetings of the board of directors, resolutions of meetings of the board of supervisors and financial reports; and

(7) other rights conferred to holders of preference shares by laws, administrative regulations, departmental rules and the Articles.

Calculation of Voting Rights

Only votes of ordinary shares and votes of preference shares with restored voting rights shall be counted when calculating the proportion of shares held by the shareholders in the event of the following:

(1) a request to convene an extraordinary general meeting of shareholders;

(2) a request to convene and preside over a general meeting of shareholders;

(3) a request to submit a proposal or an interim proposal to a general meeting of shareholders;

(4) a request to nominate the yuan h who are not employee representatives of the Company;

(5) identifying controlling shareholder(s) according to the relevant provisions of the Articles;

(6) identifying the restrictions relating to the appointment of independent directors of the Company according to the relevant provisions of the Articles;

(7) identifying the ten largest shareholders of the Company and the number of shares held by them and the shareholder(s) holding 5 per cent. or more of the shares of the Company in accordance with the Securities Law of the People's Republic of China and relevant regulations; and

(8) other circumstances provided under laws, administrative regulations, departmental rules and these Articles.

Restrictions on Voting Rights

The holders of the preference shares are not entitled to attend any shareholders' general meeting of the Company nor do the preference shares carry any voting rights in any shareholders' general meeting other than in the following circumstances:

(1) amendments to the Articles that relate to preference shares;

(2) reduction of the registered capital of the Company by more than 10 per cent. on a single or aggregate basis;

(3) merger, division, dissolution or change of corporate form of the Company;

(4) issuance of preference shares by the Company; and

(5) other events specified in laws, administrative regulations and departmental rules and the Articles.

On the occurrence of any of the above circumstances, the Company shall notify holders of preference shares of the shareholders' general meeting and follow the notice procedures to ordinary shareholders as provided under the Articles. The holders of the preference shares are entitled to vote at a separate class meeting with respect to the above matters and each preference share shall have one vote, however, preference shares held by the Company do not entitle the Company to vote.

Resolutions relating to the above matters shall be approved by more than two-thirds of the votes held by ordinary shareholders present at the meeting (including holders of preference shares with restored voting rights) and by more than two-thirds of the votes held by holders of preference shares present at the meeting (excluding holders of preference shares with restored voting rights).

Restoration of Voting Rights

In the event that the Company fails to pay the prescribed dividend to the holders of preference shares for three financial years in aggregate or two consecutive financial years, the holders of preference shares shall have the right to attend and vote at the shareholders' general meetings together with ordinary shareholders from the day immediately after the shareholders' general meeting resolves that the Company will not pay the prescribed dividend for the current dividend period. The voting rights of the holders of preference shares will remain restored until the Company pays the current period dividend in full.

The formula for calculating the voting rights of the preference shares with restored voting rights is as follows: Q = V/P x conversion exchange rate, with any fractional restored voting right rounded down to the nearest whole number. Where: "Q" denotes the H share voting rights restored from the preference shares held by each preference shareholder; "V" denotes the aggregate value of the preference shares with restored voting rights held by each preference shareholder; "P" denotes the conversion price, which equals to the initial mandatory conversion price of the preference share; and the "conversion exchange rate" refers to the cross rate between Hong Kong dollars and the currency in which the preference shares are denominated based on the RMB Central Parity Rate published by the China Foreign Exchange Trading System on the trading date preceding the date of the announcement of the board of directors' resolution in respect of the issuance plan for preference shares. The other provisions of the Articles concerning the restrictions on the shareholders' voting rights shall prevail, if any.

Priority in Profit Distribution

The dividend rate for the issued and outstanding preference shares of the Company may be adjusted at different intervals and consists of the benchmark rate and the fixed spread. During a specified period after issuance of the preference shares, the dividend rate will remain the same and may be adjusted once every certain interval, and during any adjusted dividend rate period, the dividend rate will remain the same.

Holders of the preference shares shall rank in priority to the ordinary shareholders in terms of distribution of the Company's profits and the preference shares shall be entitled to the dividend rate and distribution of profits in accordance with the agreed terms. Dividends to the holders of the preference shares shall be payable in cash. Before the agreed dividends to preference shares are distributed and the discretionary reserves fund is withdrawn as determined by the shareholders' general meeting, no profit may be distributed to the ordinary shareholders in accordance with Article 242 of the Articles. After receiving the dividends at the prescribed dividend rate, the holders of preference shares shall not be entitled to any distribution of residual profits of the Company together with the ordinary shareholders. The Company shall have the right to cancel dividends in whole or in part and this will not constitute an event of default. Any amount of dividends not paid to the holders of preference shares in full by the Company will not be accumulated to the following dividend period.

Priority in the Distribution of Residual Assets

In the event of liquidation of the Company as a result of dissolution, bankruptcy or other reasons, the remaining assets of the Company after liquidation in accordance with laws, administrative regulations, departmental rules and the Articles shall be distributed first to the holders of preference shares. Holders of preference shares will be entitled to an amount equal to the aggregate value of the preference shares then issued and outstanding plus any declared but unpaid dividends for the current period. If there are insufficient remaining assets, the distribution will be made ratably according to the aggregate value of the preference shares held by each preference shareholder as a proportion of the aggregate value of all preference shares of the Company.

GENERAL INFORMATION

CLEARING SYSTEMS

The Offshore Preference Shares will be registered in the name of a nominee of, and deposited with a common depositary for, Euroclear and Clearstream, Luxembourg. The Offshore Preference Shares will be settled through Euroclear and Clearstream, Luxembourg under Common Code 239725457 and ISIN XS2397254579.

APPLICATION FOR LISTING ON THE HONG KONG STOCK EXCHANGE

The Company has applied to the Listing Committee of the Hong Kong Stock Exchange for the listing of, and permission to deal in, the Offshore Preference Shares and the H Shares to be issued upon conversion of the Offshore Preference Shares. The Offshore Preference Shares are issued to Professional Investors only.

DEALING ON THE HONG KONG STOCK EXCHANGE

Assuming that the issue of the Offshore Preference Shares becomes unconditional at or before 8.00 a.m. in Hong Kong on 4 November 2021, it is expected that dealings in the Offshore Preference Shares on the Hong Kong Stock Exchange will commence at 9.00 a.m. on 4 November 2021.

REGISTRATION OF SUBSCRIPTION, PURCHASE AND TRANSFER OF OFFSHORE PREFERENCE SHARES

Each acquirer of the Offshore Preference Shares agrees with the Company and each of the Offshore Preference Shareholders, and the Company agrees with each of the Offshore Preference Shareholders, to observe and comply with the Company Law, the Special Provisions on Companies Limited by Shares Issuing Shares and Offshore Public Listing (國務院關於股份有限公司境外募集股份及上市的特別規定) issued by the State Council on 4 August 1994 and the Articles of the Company.

Each acquirer of the Offshore Preference Shares agrees with the Company, each of the Offshore Preference Shareholders, directors, supervisors and senior management members of the Company and the Company (acting for itself and for each of its directors, supervisors and senior management members) agrees with each of the Offshore Preference Shareholders, to refer any dispute or claim of rights relating to the affairs of the Company and arising as a result of the rights and obligations provided for in the Articles, the Company Law and other applicable laws, administrative regulations to arbitration in accordance with its Articles, and any reference to arbitration shall be deemed to authorise the arbitration body to conduct hearings in open session and to publish its award. Such arbitration shall be final and conclusive.

Each acquirer of the Offshore Preference Shares agrees with the Company and each of the Offshore Preference Shareholders that the Offshore Preference Shares are freely transferable by the holders thereof.

Each acquirer of the Offshore Preference Shares authorises the Company to enter into a contract on his behalf with each of the Company's directors and officers whereby such directors and officers undertake to observe and comply with their obligations to the Offshore Preference Shareholders as stipulated in the Articles of the Company.

RESPONSIBILITY STATEMENT

This document includes particulars given in compliance with the Hong Kong Listing Rules for the purpose of giving information with regard to the Company. The Company accepts full responsibility for the accuracy of the information contained in this document and confirms, having made all reasonable enquiries, that to the best of its knowledge and belief there are no other facts the omission of which would make any statement herein misleading.

THE EXPENSES OF THE ISSUANCE

Total expenses in relation to the issuance of Offshore Preference Shares are estimated to be approximately U.S.$5.4 million, which are expected to be accounted for as a deduction from equity. The Company expects that such expenses would not have any material impact on the operation performance of the Company for the year ending 31 December 2021.

SHARE CAPITAL

The Company's share capital includes the Domestic Shares and H Shares which are listed on the Hong Kong Stock Exchange. As of the date of this Offering Circular, the Company do not have any equity securities listed on any other stock exchanges.

CHANGES IN SHARE CAPITAL

As of the date of this Offering Circular, there has been no alteration in the share capital of the Company and its first-tier subsidiaries controlled by the Company since 30 June 2021.

IMPACT ON THE COMPANY'S SHARE CAPITAL

If there is no Trigger Event for Conversion, the issuance of the Offshore Preference Shares will not affect the ordinary share capital of the Company. However, if Conversion is triggered, the Company's ordinary share capital will be increased.

Assuming that an issue size equivalent to RMB18 billion of Offshore Preference Shares as approved by the Company's shareholders on 2 February 2021 were issued and all the Offshore Preference Shares were subject to Conversion, on the basis of the initial Compulsory Conversion Price of HK$4.52 per H Share, the number of H Shares issued upon conversion of the Offshore Preference Shares would not exceed 4,705,264,825 H Shares.

For illustrative purposes only, the table below sets forth the impact on the Company's share capital structure if all the Offshore Preference Shares under the proposed issuance were converted into H Shares pursuant to the Conversion:

	As at 30 September 2021		After issuance of the Offshore Preference Shares		After conversion of all the Offshore Preference Shares	
Share Capital	**Shares**	**Percentage of share capital**	**Shares**	**Percentage of share capital**	**Shares**	**Percentage of share capital**
Domestic Share	24,596,932,316	64.45%	24,596,932,316	64.45%	24,596,932,316	57.38%
H Share	13,567,602,831	35.55%	13,567,602,831	35.55%	18,272,867,656	42.62%
Total	38,164,535,147	100.00%	38,164,535,147	100.00%	42,869,799,972	100.00%

As at 30 September 2021, all of the Domestic Shares were held by the MOF and NCSSF. After the Conversion of all the Offshore Preference Shares into H Shares based on the abovementioned assumptions, the Domestic Shareholders' shareholding would be decreased to 57.38 per cent. and the MOF would remain the controlling shareholder of the Company.

DETAILS OF SECURITIES ISSUANCE AND LISTING

As at the date of this Offering Circular, the Group did not have interest or principal overdue on issued bonds or other events that violate the terms of the bonds issued.

Save as disclosed in this Offering Circular, during the three years ended of 31 December 2018, 2019 and 2020 and the six months ended 30 June 2021, neither the Company nor any of its subsidiaries had otherwise issued convertible debt securities, options, warrants or other similar rights and the Company did not have unsettled option.

The Company has not implemented any employee stock incentive plan.

OTHER EQUITY FINANCING PLAN IN THE NEXT 12 MONTHS

Except for the issuance of Offshore Preference Shares as approved by the Shareholders on 2 February 2021, in accordance with the capital adequacy of the Company and the regulatory requirements, the Company may seek the possibility of supplementing its capital by various ways including equity financing in the next 12 months.

As of the date of the Offering Circular, except for the issuance of Offshore Preference Shares, the Company has no other equity financing plan.

AUTHORISATIONS

The Company has obtained all necessary consents, approvals and authorisations in connection with the issue and performance of its obligations under the Offshore Preference Shares, including (i) the resolutions of the board of directors of the Company passed on 3 December 2020, (ii) the resolutions of the shareholders of the Company passed on 2 February 2021, (iii) the CBIRC's approval dated 18 June 2021, and (iv) the CSRC's approval dated 16 September 2021. The Company has also obtained a certificate from the NDRC with respect to the registration of the issuance of the Offshore Preference Shares on 29 September 2021.

MATERIAL CONTRACTS

Save as information that has been disclosed publicly, there was no material contract (being contracts entered into outside the ordinary course of business) that was entered into by the Company during the two years immediately preceding the date of this Offering Circular and up to the date of this Offering Circular.

MAJOR CLIENTS

For the years ended 31 December 2018, 2019 and 2020 and for the six months ended 30 June 2021, the combined revenue from the top five clients of the Company did not exceed 30 per cent. of its total revenue for 2020. There are no clients, suppliers, employees or others who have a significant impact on the Group and on which the Group's success depends.

GENERAL

During the two years ended 31 December 2019 and 2020 and the six months ended 30 June 2021, none of the directors or supervisors or experts (as named in this Offering Circular), so far as the Company is aware, had any interest, direct or indirect, in any assets that had been acquired or disposed of by or leased to any member of the Group or proposed to be so acquired, disposed of or leased to any member of the Group.

Since 31 December 2020 and up to the date of this Offering Circular, no commissions, discounts, brokerage fees or other special terms have been granted to any directors or proposed directors, supervisors or proposed supervisors, promoters or experts (as named in this Offering Circular) in connection with the issue or sale of any capital of any member of the Group.

NO MATERIAL ADVERSE CHANGE

As of the date of this Offering Circular, except for those disclosed in this Offering Circular, since 31 December 2020, there has been no material adverse change, nor any development or event involving a prospective material adverse change, in or affecting the financial or trading position of the Company and the Group.

LITIGATION

As of the date of this Offering Circular, except for those disclosed in this Offering Circular, there are no legal or arbitration proceedings which would have a material impact on the issuance of the Offshore Preference Shares, and the Company is not aware of any such pending or threatened proceedings.

ACCOUNTING TREATMENT

The Offshore Preference Shares have no contractual obligations to pay cash or other financial assets pursuant to relevant accounting provisions and terms of the Offshore Preference Shares. In addition, the Company has no obligation to use an unfixed amount of its own equity instruments to settle, and therefore the Offshore Preference Shares will be accounted for as an equity instrument.

Offshore Preference Shares dividends shall be treated as distributed profit. Since the source of funding for the dividends of the Offshore Preference Shares will be distributable profit, according to the relevant existing tax policy, such dividends and the withholding tax borne by the Company will not be accounted for before enterprise income tax.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents may be inspected during normal business hours on any weekday at the Company's principal place of business in Hong Kong at 12/F, AIA Central, 1 Connaught Road Central, Central, Hong Kong and the specified office of the Fiscal Agent at 20/F CCB Tower, 3 Connaught Road Central, Central, Hong Kong upon proof of holding satisfactory to the Fiscal Agent, so long as any of the Offshore Preference Shares is outstanding.

- the Fiscal Agency Agreement;
- the Agreement between the Fiscal Agent, the Receiving Agent and the Issuer;
- the Receiving Agency Agreement;

- the Deed of Covenant in respect of the Offshore Preference Shares;
- the Articles of the Company;
- the resolutions from the Board of the Company on 3 December 2020;
- the resolutions of shareholders of the Company passed on 2 February 2021;
- the audited consolidated financial statements of the Group for the year ended 31 December 2019 and a copy of the auditor's independent report of Ernst & Young;
- the audited consolidated financial statements of the Group for the year ended 31 December 2020 and a copy of the auditor's independent report of Ernst & Young; and
- the unaudited but reviewed interim condensed consolidated financial statements of the Group for the six months ended 30 June 2021 and a copy of the review report of Ernst & Young.

DOCUMENTS AVAILABLE FOR DISPLAY

Copies of the following documents will be on display for a period of not less than 14 days starting from the business day immediately following the Issue Date on the Company's own website (www.cinda.com.cn) and the HKExnews' website (www.hkexnews.hk):

- the Fiscal Agency Agreement;
- the Agreement between the Fiscal Agent, the Receiving Agent and the Issuer;
- the Receiving Agency Agreement; and
- the Deed of Covenant in respect of the Offshore Preference Shares.

AUDITORS

Ernst & Young, Certified Public Accountants, the Company's independent auditor has audited, and rendered unqualified audit reports on, the consolidated financial statements of the Group for the years ended 31 December 2019 and 2020. Ernst & Young also reviewed the interim condensed consolidated financial statements of the Group for the six months ended 30 June 2021.

Ernst & Young has given and not withdrawn their written consent to the reproduction in this Offering Circular of their audit report dated 31 March 2020 on the published audited consolidated financial statements of the Group for the year ended 31 December 2019, their audit report dated 26 March 2021 on the published audited consolidated financial statements of the Group for the year ended 31 December 2020 and their review report dated 27 August 2021 on the published unaudited but reviewed condensed consolidated financial statements of the Group for the six months ended 30 June 2021, respectively, and the references to Ernst & Young in the form and context in which they appear. Their consent should not be construed as in any way updating or refreshing the aforementioned audit reports or review report.

The audited consolidated financial statements of the Group as of and for each of the years ended 31 December 2019 and 2020 were prepared in accordance with the IFRS issued by the IASB.

The unaudited but reviewed interim condensed consolidated financial statements of the Group as at and for the six months ended 30 June 2021 were prepared in accordance with IAS 34 issued by the IASB.

As at the date of this Offering Circular, Ernst & Young does not own any equity interest in any of the Group's members nor does it have the rights to subscribe or nominate any person to subscribe the securities of any of the Group's members (whether enforceable according to laws or not).

CORPORATE COMMUNICATIONS

For so long as any of the Offshore Preference Shares are represented by a Global Certificate and the Global Certificate is held on behalf of Euroclear or Clearstream, Luxembourg or any Alternative Clearing System, each investor who subscribes for or purchases the Offshore Preference Shares shall be deemed to have acknowledged and agreed that the Company is permitted to send or otherwise make available any Corporate Communication to the holders of the Offshore Preference Shares using electronic means (which term includes sending or otherwise making available the Corporate Communication in electronic format) in satisfaction for notification as required by the Articles and the Hong Kong Listing Rules. A "**Corporate Communication**" as defined under the Hong Kong Listing Rules includes any document to be issued by the Company for the information or action of any holders of the Offshore Preference Shares, including but not limited to (a) annual reports and, if available, its summary financial reports; (b) interim reports and, if available, its summary financial reports; (c) notices of meetings; (d) listing documents; (e) circulars; and (f) proxy forms.

Until further notice, the Company shall make all Corporate Communications available via the Company's own website (www.cinda.com.cn) and the HKExnews' website (www.hkexnews.hk). All such Corporate Communications may be assessed under the "*Investor Relations*" section of the Company's website or browsing through the HKExnews' website. In addition, in relation to (a) Corporate Communications which involve the Company's annual reports or interim reports, and (b) Corporate Communications which relate to matters which the Offshore Preference Shareholders may attend shareholders' meetings of the Company and vote on matters before such shareholders' meeting, the Company shall also send such Corporate Communications to accountholders entitled to an interest in such Offshore Preference Shares by delivery of the relevant Corporate Communication in electronic format through the facilities of Euroclear or Clearstream, Luxembourg or such Alternative Clearing System.

CORPORATE INFORMATION

Registered address of the Company	No. 1 Building 9 Naoshikou Street Xicheng District Beijing, the PRC, 100031
Principal place of business in Hong Kong	12/F, AIA Central 1 Connaught Road Central Central, Hong Kong
Board Secretary	Mr. Ai Jiuchao
Company Secretary	Mr. Ai Jiuchao (Please refer to the section headed "*Directors and Senior Management*" for information of Mr. Ai Jiuchao)
Authorised representatives	Mr. Zhang Zi'ai Mr. Ai Jiuchao
Legal advisers	**Hong Kong Law** **Linklaters** 11th Floor, Alexandra House Chater Road Central, Hong Kong **PRC Law** **King & Wood Mallesons** 40/F, Office Tower A Beijing Fortune Plaza 7 East 3rd Ring Middle Road Chaoyang District Beijing, PRC
Auditors	**Domestic auditors** **Ernst & Young Hua Ming LLP** Level 16, Ernst & Young Tower Oriental Plaza No. 1 East Chang An Avenue Dong Cheng District Beijing, China **International auditors** **Ernst & Young** **Certified Public Accountants** 27/F, One Taikoo Place 979 King's Road Quarry Bay, Hong Kong
H Share registrar	**Computershare Hong Kong Investor Services Limited** Shops 1712-1716, 17/F, Hopewell Centre 183 Queen's Road East Wanchai, Hong Kong

TERMS AND CONDITIONS OF THE OFFSHORE PREFERENCE SHARES (CHINESE VERSION)

境外優先股條款與條件

*下文對境外優先股條款與條件(“**條款與條件**”)的説明須全面受制於公司章程、公司股東於2021年2月2日通過的決議以及董事會對董事長或董事長授權的其他人士的授權，並且以該等公司章程、決議和授權為準。下文(不包括斜體字部份)概述了境外優先股所附的主要權利，且該等權利將記載於每一境外優先股股份憑證的背面。除非在本條款與條件中另外定義，否則本條款與條件使用的經定義的詞語，應具有下文本條款與條件第16條規定的含義。*

1 一般規定

股息率為4.40%的17億美元非累積永續境外優先股(“**境外優先股**”)，於2021年11月3日(“**發行日**”)，根據中國信達資產管理股份有限公司(“**公司**”)的公司章程(經不時修改，“**公司章程**”)，公司股東於2021年2月2日通過的決議(“**股東決議**”)及董事會對董事長或董事長授權的其他人士的授權發行。

就境外優先股，公司已(a)與作為財務代理、付款代理、計算代理、登記處及過戶代理的中國建設銀行(亞洲)股份有限公司以及其他指定的付款和過戶代理於2021年11月3日簽訂了財務代理協議(經不時修訂，“**財務代理協議**”)，(b)與作為收款代理的工銀亞洲信托有限公司(“**收款代理**”)於2021年10月22日簽訂了收款代理協議(經不時修訂，“**收款代理協議**”)，(c)於2021年11月3日簽訂了就境外優先股的承諾契據(經不時修訂，“**境外優先股承諾契據**”)以及(d)與收款代理以及作為財務代理及付款代理的中國建設銀行(亞洲)股份有限公司於2021年11月3日簽訂了協議(經不時修訂，“**付款補充協議**”)。根據財務代理協議聘任的財務代理、登記處、計算代理、任何付款代理和任何過戶代理在下文簡稱為“**財務代理**”、“**登記處**”、“**計算代理**”、“**付款代理**”和“**過戶代理**”。“**代理**”指財務代理、登記處、計算代理、付款代理、過戶代理及不時就境外優先股聘任的其他任何一個或多個代理。

公司章程、本條款與條件和股東決議的中英文副本、財務代理協議、付款補充協議及境外優先股承諾契據的英文副本以及收款代理協議的中文副本可在提供令財務代理滿意的持有證明後於正常營業時間(早上9點到下午3點)在財務代理的指定辦事處(目前位於香港中環幹諾道中三號中國建設銀行大廈20樓)供查閱。已登記的境外優先股的持有人(“**境外優先股股東**”，或就境外優先股而言，其“**持有人**”)可享有公司章程及股東決議各項規定的利益，受公司章程及股東決議各項規定的約束，並被視為已知悉公司章程及股東決議各項規定，並視為已知悉財務代理協議、收款代理協議、境外優先股承諾契據及付款補充協議中對其適用的條款。

公司章程及本條款與條件均以中文書就。如果(i)中文版的公司章程及本條款與條件與(ii)公司章程和本條款與條件任何語種的譯文之間出現任何不一致之處，應以中文版的公司章程及本條款與條件為準。此外，如果公司章程與本條款與條件之間出現任何不一致之處，應以公司章程為準。

2 形式和轉讓

2.1 形式和所有權

境外優先股每股票面金額為人民幣100元，以美元全額繳納資本的形式發行，每股境外優先股的發行價格為20美元(“**清算優先金額**”)。境外優先股將按記名形式發行，最小發行和轉讓金額為200,000美元(或10,000股境外優先股)，超過部份為1,000美元(或50股境外優先股)的整數倍(各稱為“**額定面值**”)。境外優先股以記名的股份憑證(“**股份憑證**”)為代表，每張股份憑證代表同一持有人持有的全部境外優先股。

境外優先股所有權可自由轉移，但受制於且應遵循公司章程的規定，在經過轉讓以及在公司促使登記處於任何時候在英國和香港以外保存及維持的境外優先股股東名冊(“**股東名冊**”)上登記後完成。除法律另有規定外，就任何目的而言，任何境外優先股的持有人均被視作絕對的所有權人，任何人不會因將該等持有人視作絕對的所有權人而承擔任何責任。

2.2 轉讓

境外優先股轉讓登記，在支付因該等轉讓對公司或登記處(以適用者為準)徵收的稅費或其他政府、監管或行政費用(或者在給予公司或登記處要求的該等補償和／或擔保和／或提前提供資金)後由公司或登記處或其代表完成。轉讓境外優先股和在股東名冊上登記均將按公司章程進行。

境外優先股股東不得在下述期間內要求登記境外優先股轉讓：(a)截至該境外優先股付款到期日止的前五日期間；或(b)轉股通知發出之日起至該轉股通知載明的轉股完成之日止的期間。如公司章程以及相關證券交易所上市規則對於暫停登記境外優先股轉讓期間有規定的，從其規定。

由總額證書所代表的境外優先股中權益的轉讓將通過Euroclear和Clearstream, Luxembourg(或任何其他清算系統)及其各自參與者的記錄，並按照Euroclear和Clearstream, Luxembourg(或任何其他清算系統)及其各自參與者的規定及程序進行。

2.3 總額證書

境外優先股最初將由一份以Euroclear Bank SA/NV (“**Euroclear**”)及Clearstream Banking S.A (“**Clearstream, Luxembourg**”)代名人名義登記並存放在共同存託人處的總額證書(“**總額證書**”)代表。總額證書中的實益權益將在Euroclear、Clearstream, Luxembourg及任何通過其持有境外優先股權益的其他清算系統(“**其他清算系統**”)保存的記錄中顯示，並將僅通過該等記錄實施對上述實益權益的轉讓。除總額證書中載明的有限情形外，將不會簽發境外優先股的股份憑證以換取總額證書中的實益權益。在境外優先股由總額證書代表並且總額證書由Euroclear、Clearstream, Luxembourg或任何其他清算系統代表持有期間，境外優先股將根據其額定面值而非股數進行登記、轉讓及／或轉股。

此外，在境外優先股由總額證書代表並且總額證書由Euroclear、Clearstream, Luxembourg或任何其他清算系統代表持有期間，本條款與條件中的某些規定將按照總額證書中的描述作出修改以反映Euroclear、Clearstream, Luxembourg和任何其他清算系統的規則、程序和實際操作。

3 清算時的地位和權利

在公司發生清算時，境外優先股持有人的受償順序如下：

(a) 在(i)公司所有債務(包括次級性債務)以及(ii)公司發行或擔保的、受償順序在或明確規定在境外優先股之前的義務的持有人之後；

(b) 所有境外優先股股東的受償順序在所有方面相同，彼此之間不存在優先性，並與具有同等受償順序的義務的持有人的受償順序相同；以及

(c) 在普通股股東之前。

在公司發生清算時，公司財產將按照下列順序清償：

(i) 支付清算費用；

(ii) 支付公司職工的工資、社會保險費用和法定補償金；

(iii) 繳納所欠税款；以及

(iv) 清償公司其他債務。

當公司發生清算時，在按本條款與條件第3條第(i)至(iv)款分配後，公司的任何剩餘財產應用於清償境外優先股股東主張的索償，境外優先股股東應在所有方面與具有同等受償順序的義務的持有人同比例分享，且受償順序在普通股股東之前。當公司發生清算時，就每股境外優先股而言，持有人就每股境外優先股有權分配到的金額等於該境外優先股的清算優先金額加上該境外優先股的當期已宣告但尚未支付的股息。

如果在清算時公司的剩餘財產不足以支付或清償境外優先股和所有具有同等受償順序的義務的全部應付額，境外優先股股東和該類具有同等受償順序的義務的持有人將根據各自所應受償的總金額，按比例分配公司的剩餘財產(如有)。

在全額獲得境外優先股股東在公司清算時有權獲得的資金後，該等境外優先股股東對公司剩餘財產不再享有任何權利或主張。

請見"風險因素 - 與境外優先股有關的風險 - 境外優先股股東就本公司財產的受償順位列於本公司所有負債之後"。

4 股息

根據本條款與條件第4條規定，境外優先股股東有權每年度就每股境外優先股收取按後付方式支付的未被取消的應支付且非累積的股息("**股息**")。

境外優先股適用的股息率不得含有任何利率跳升機制或其他贖回境外優先股激勵。境外優先股適用的股息率不與公司自身的評級掛鈎，且不隨未來公司的信用評級的變化而調整。

4.1 股息率

境外優先股將以其清算優先金額，按下述相關股息率計息：

(a) 自發行日起(含該日)至第一個重定價日止(不含該日)，按年息4.40%("**初始股息率**")計息；以及

(b) 此後，自第一個重定價日及隨後每一個重定價日起(含該日)至下一個重定價日止(不含該日)的期間，按相關重置股息率計息，

但前提是，股息率在任何時間均不得高於每年8.41%，即，發行日之前公司最近兩個會計年度的年均加權平均淨資產收益率(以歸屬於公司普通股股東的口徑進行計算)。

為本條款與條件之目的：

任何重置期的"**重置股息率**"為年股息率(以百分比表示)，由計算代理於相關重置決定日按該重置期的基準利率加上年固定溢價3.232%確定。

"**重定價日**"指第一個重定價日及第一個重定價日後五年或五的倍數年份之同一日。

4.2 股息付息日

受限於本條款與條件第4條規定，每項股息應在董事會宣告後於每年11月3日(每一“**付息日**”)，每年度按後付方式支付。受限於本條款與條件第4條規定，第一個付息日為2022年11月3日。“**計息期**”是自發行日起(含該日)至下一個付息日止(不含該日)的期間，以及此後每個自付息日起(含該日)至下一個付息日止(不含該日)的期間。

4.3 股息金額計算

受限於本條款與條件第4條的規定，自發行日(包括當日)至第一個重定價日(但不包括當日)期間的每一個付息日應支付的股息應為每計算面值(請見以下定義)44.00美元。

境外優先股股息應以境外優先股清算優先金額的每1,000美元(“**計算面值**”)予以計算。計息期內的每計算面值的應付股息應等於相應股息率乘以計算面值，再乘以計息期的相關計息天數比，計算結果應四捨五入至美分(即，零點五美分應四捨五入至一美分)。

當必須計算不滿一個計息期的股息時，該期間內每計算面值的應付股息應等於相應股息率乘以計算面值，再乘以相關計息天數比，計算結果應四捨五入至美分(即，零點五美分應四捨五入至一美分)。

為本條款與條件之目的，相關計息天數比是指(i)相關期間內的天數除以(ii)360(一年的天數按360日計算，12個月每月30日，不滿一個月的按實際天數計算)。

在境外優先股由總額證書代表，並且總額證書由Euroclear、Clearstream, Luxembourg或任何其他清算系統代表持有期間，境外優先股的股息將在總額證書代表的境外優先股的總清算優先金額的基礎上計算。

4.4 重置股息率的確定和通知

計算代理將促使將確定的重置股息率及時通知公司及財務代理。計算代理亦須於重置決定日後儘快(但無論如何不得遲於其後第四個營業日)按本條款與條件第12條指定的方式通知境外優先股股東該等重置股息率。計算代理就本條款與條件第4.4條發出、表示、作出或取得的所有通知、意見、決定、證書、計算、報價及決議將(在無明顯錯誤的情況下)對公司、代理及境外優先股股東具有約束力，且(受上述所規限)計算代理就有關目的行使或不行使其權力、職能及酌情權將不負任何責任。

4.5 股息發放條件

即便本條款與條件第4條中有任何其他規定，公司在任何付息日派發任何股息的先決條件是：

(a) 董事會已根據公司的公司章程通過宣佈該等派發股息的決議；

(b) 公司在依法彌補以前年度虧損、提取法定公積金和一般準備後，有可分配稅後利潤(可分配稅後利潤來源於按中國會計準則或國際財務報告準則編制的母公司財務報表中的未分配利潤，且以較低數額為準)；而且

(c) 公司相關資本充足水平滿足金融資產管理公司資本監管要求。

此外，在任何情況下，經股東大會審議通過相關決議後，公司有權以本條款與條件第4.5條和第4.6條載明的方式取消已計劃在付息日派發的全部或部份股息。公司可以自由支配取消派息所獲的資金，用於償付其他到期債務。

在公司股東大會通過上述關於取消(全部或部份)任何境外優先股股息的決議後，取消已計劃派發的全部或部份股息的通知，須儘快且最遲在相應付息日前10個支付營業日之前由公司發給境外優先股股東(按本條款與條件第12條指定的方式)和財務代理(但不發出該等通知，不會對公司取消的股息(全部或部份)產生任何影響，而且在任何情況下不構成違約)。

依照本條款與條件取消任何股息(全部或部份)，在任何情況下，不構成公司違約。股息支付方式為非累積，在公司依照股東大會決議和本條款與條件取消全部或部份股息的情形下，該計息期當期未向境外優先股股東足額派發的任何股息不累積至下一個計息期。

境外優先股股東按照本條款與條件第4條獲得股息後(受制於本條款與條件第4.5條，第6條及第7條的規定)，不再同普通股股東一起參加公司剩餘利潤分配。

4.6 股息制動機制

如果董事會選擇取消已計劃在付息日派發的全部或部份股息(但非因根據本條款與條件第6.1(a)條基於觸發事件的發生而導致被取消股息),該等境外優先股股息的取消(全部或部份)還應經公司股東大會決議通過。公司承諾任何取消境外優先股股息(全部或部份)的股東大會決議將為取消同等受償順序義務股息的決議,並承諾不會於任何股東大會僅提出取消境外優先股股息的決議而不提出取消同等受償順序義務股息的決議。

自股東大會通過取消同等受償順序義務股息的決議的次日起,公司不得向任何普通股或受償順序位於或明確規定為位於境外優先股之後的任何其他類別的股份或義務以現金或其他形式支付任何款項,並且公司應促使不會就普通股或任何其他受償順序位於或明確規定為位於境外優先股之後的任何類別的股份或義務以現金或其他形式進行任何分配或股息分派。上述行為將持續,自股東大會通過取消同等受償順序義務股息的決議的次日起直至下述事件發生(以較早者為準):(i)已全額向境外優先股股東支付已計劃在此後任一付息日派發的股息,或(ii)所有存續的境外優先股被贖回或購買後注銷或被轉股。

4.7 計息

每股境外優先股自贖回日起將不再計息,除非在提交代表該境外優先股的股份憑證後,該境外優先股的贖回價款被不正當地凍結或不予以支付。在這種情況下,該境外優先股應(在遵守本條款與條件第4條規定的前提下)繼續按屆時相應的股息率,自贖回日(含該日)起至該贖回價款支付日(不含該日)止計算股息。境外優先股僅在全額支付因贖回而應付的所有金額後方可視作被贖回。

5 支付

5.1 支付方式

境外優先股的應付股息或清算優先金額,將通過轉賬匯付至持有人在紐約市一家銀行持有的美元賬戶的方式進行支付,但是,在支付贖回價款之前,該持有人應向財務代理或根據財務代理的指示,交回相關股份憑證。

境外優先股的股息或清算優先金額將向於付款到期日前的第五日結束營業時登記在股東名冊的境外優先股股東支付。

支付指令將在付款到期日（如果該到期日並非支付營業日，則在該日之後的首個支付營業日）發出（應指定所付款項在到期日存入收款人賬戶；如果該到期日並非支付營業日，則在該日之後的首個支付營業日存入收款人賬戶）。如果需支付時相關股份憑證尚未按照本條款與條件的要求交到財務代理的指定辦事處，則支付指令將在財務代理開門營業且持有人交回相關股份憑證的支付營業日發出。

如果境外優先股股東遲於到期日收到到期款項，原因是到期日不是支付營業日，則境外優先股股東無權因付款延遲而獲得任何利息或其他付款。如果境外優先股項下的任何到期款項未全額支付，登記處將在股東名冊中註明實際已支付的金額（如有）。

*在境外優先股由總額證書代表期間，與境外優先股有關的所有款項將向在股權登記日，即付款到期日前一清算系統營業日，結束營業時登記在股東名冊的人士支付或按其要求支付。其中，"**清算系統營業日**"指相關清算系統營業的日子。*

5.2 支付須遵守相關法律

所有付款在任何情況下均受限於(i)支付地有關財政或其他方面的適用法律、法規和指令，但不影響本條款與條件第8條中的規定；以及(ii)根據1986年《美國國內稅收法》（"**美國國內稅收法**"）第1471(b)條載明的協議、美國國內稅收法第1471條至第1474條、根據美國國內稅收法制定的其他法規或協議、其司法解釋或實施美國國內稅收法項下政府之間運作方式的法律（但不影響本條款與條件第8條中的規定）規定的任何預繳或扣減。對於該等付款，不得向境外優先股股東收取任何傭金或費用。

6 轉股

6.1 發生觸發事件情況下的轉股

如果發生任何觸發事件，公司應（在獲得銀保監會批准但無需獲得境外優先股股東或普通股股東同意的情況下）：

(a) 取消截至轉股日（包含該日）就相關損失吸收金額應計的但未派發的任何股息；及

(b) 於轉股日將全部或部份境外優先股不可撤銷地、強制性地轉換為相應數量的H股（該等轉換為H股的轉股稱為"**轉股**"，"**被轉股**"具有相應的含義），依據本條款與條件第6條的以下規定：

(i) 境外優先股將在所有其他的其他一級資本工具按照合同約定的方式或者適用法律法規進行核銷、轉股或取消的同時進行轉股，但在二級資本工具的核銷、轉股或取消之前；以及

(ii) 該等被轉股的H股的數量等於(A)相關損失吸收金額(定義見下文)(按照1.00美元兌港幣7.7522元的固定折算匯率兌換為港幣)除以(B)有效的強制轉股價格，並向下取整至最接近的H股整數股數(在適用法律法規允許的範圍內)，轉股產生的不足一股H股的任何非整股將不會予以發行，且不會通過任何現金付款或其他調整作出替代。

以上固定折算匯率是以審議通過本次境外優先股發行方案的董事會決議公告日(即2020年12月3日)前一個交易日中國外匯交易中心公佈的銀行間外匯市場人民幣匯率中間價為基準確定的港幣和美元折算匯率(四捨五入至小數點後四位)。

任何境外優先股的部分轉股受限於相關管理部門的決定。請見"風險因素－與境外優先股有關的風險－境外優先股條款載有強制全部或部分轉換為H股的條款"。

觸發事件可能多次發生，境外優先股可能發生多次轉股。

如果部份而非全部境外優先股被轉股，境外優先股彼此之間將由公司善意地按比例並依照市場慣例予以轉股。

如果境外優先股在轉股時以總額證書為代表，該等總額證書的清算優先金額將按該等總額證書項下的被轉股股數與該等總額證書所代表的境外優先股總股數之間的比例相應減低該等總額證書的清算優先金額。在該等總額證書清算優先金額減少的情況下，除非本公司善意地按照Euroclear、Clearstream, Luxembourg或任何其他清算系統(以適用者為準)的相關程序與規則另行決定，每名賬戶持有人所持有的境外優先股清算優先金額將(在可行範圍內)按同比例相應減少，在決定境外優先股股東在清算時的表決權和／或本條款與條件第10條的表決權時，如賬戶持有人所持有的任何境外優先股金額無法被清算優先金額整除，則餘數金額應不予考慮。

公司在觸發事件有效日後不超過兩個觸發事件營業日內，向境外優先股股東和財務代理發出通知("**轉股通知**")，其中載明：(i)相關觸發事件已經發生(及其詳情)；(ii)相關損失吸收金額；(iii)轉股日；(iv)有效的強制轉股價格；(v)境外優先股股東接收H股的程序；以及(vi)境外優先股股東可能合理要求的進一步信息，但公司未能及時發出轉股通知並不構成境外優先股項下的任何違約，也不影響境外優先股在轉股日進行轉股。

即便本條款與條件中有任何其他規定，在觸發事件發生後，但在該等觸發事件引起的轉股發生之前，公司有權提請相關管理部門作出書面認定；如果相關管理部門在轉股日前認定並書面通知公司相關觸發事件已經解除（由於公司監管資本的變化或其他原因），公司在符合上述相關管理部門要求的前提下有權不就該觸發事件實施境外優先股的轉股。公司應當在收到上述書面認定後盡合理可能快地通知境外優先股股東、財務代理和登記處。

在發生觸發事件後，各境外優先股股東應被視為已授權、指示及要求財務代理及登記處採取任何及所有必要行動，使任何境外優先股轉股生效。轉股時發行的H股將向公司指定的代持人（"**股份代持人**"）發行，該股份代持人按本條款與條件第6條規定代表境外優先股股東持有該等H股。

境外優先股股東在任何時間均無權要求將境外優先股轉換為H股。

為本條款與條件之目的：

"**其他一級資本**"根據資產管理公司資本管理辦法定義或解釋。

"**其他一級資本工具**"指任何由公司發行或擔保的股權證券、債券或其他類似義務，根據資產管理公司資本管理辦法的相關要求，構成公司的其他一級資本。

"**轉股日**"指緊鄰觸發事件有效日之後一日。

"**觸發事件**"指以下兩種情形中的較早發生者：

(i) 銀保監會認定，如不做出核銷或轉為普通股的決定，公司將無法生存；及

(ii) 財政部、人民銀行等相關管理部門認定，如不做出公共部門注資或提供同等效力支持的決定，公司將無法生存。

*截至發售通函刊發日，就公司所知，根據資產公司監管辦法第108條，本條款與條件第6條（包括上文定義中第(ii)款）中提到的"**相關管理部門**"為可以決定是否需要公共部門注資或提供同等效力支持且沒有該等注資或支持公司將無法生存的機構，包括國務院、財政部、人民銀行以及銀保監會。作出關於上文定義中第(ii)款的決定時，相關管理部門可相互徵詢意見和／或爭取達成一致協議。資產公司監管辦法的解釋權和實施權歸銀保監會和其他相關管理部門所有。*

"**觸發事件營業日**"指除週六、週日或公眾假期以外的商業銀行在中國及香港公開營業之日。

“**觸發事件有效日**”指就銀保監會或相關管理部門(以適用者為準)認定觸發事件已發生，並且向公司發出通知，並同時發佈公告的日期。如果觸發事件有效日出現不確定性，應以銀保監會或相關管理部門確認的時間為準。

“**相關損失吸收金額**”指在發生任何觸發事件時，被轉股境外優先股的清算優先金額總額，即：

(i) 境外優先股全部被轉股時，全部存續的境外優先股的清算優先金額總額；或

(ii) 境外優先股部分被轉股時，相關清算優先金額總額將按照存續的境外優先股的清算優先金額在所有其他一級資本工具(包括境外優先股)的總本金額或清算優先價值總額中所佔的比例計算。

“**二級資本**”根據資產管理公司資本管理辦法定義或解釋。

“**二級資本工具**”指任何由公司發行或擔保的股權證券、債券或其他類似義務，根據資產管理公司資本管理辦法的相關要求，構成公司的二級資本。

6.2 強制轉股價格

境外優先股的初始強制轉股價格為每股H股港幣4.52元，受限於本條款與條件第6.5條規定的調整(“**強制轉股價格**”)。

本次境外優先股的初始強制轉股價格為公司截至2020年上半年末合併報表口徑經審閱的歸屬於母公司權益所有者的每股淨資產並以港幣計價(按照審議通過本次境外優先股發行方案的董事會決議公告日(即2020年12月3日)前一個交易日中國外匯交易中心公佈的銀行間外匯市場人民幣兑港幣匯率中間價計算並向上取至小數點後兩位)。

6.3 轉股的影響

境外優先股一旦根據本條款與條件第6.1條的規定被轉股後，在任何情況下(包括相關觸發事件的解除)，該境外優先股均不會予以恢復為優先股。

公司將在H股股東的股東名冊上登記相應數量的應按照本條款與條件第6.1條的規定發行的H股，自相關轉股日起生效。該等H股最初應以股份代持人的名義登記。公司將於轉股日後不超過20個交易日內(或在相關部門可能要求的其他期限

內）（"**股份交付日**"）向（代表境外優先股股東持有的）股份代持人發行按照本條款與條件第6.1條的規定轉股時發行的相應數量的H股。如果公司未能發行該等H股，或未能及時向股份代持人發行或交付該等H股，境外優先股股東僅有權（在遵守本條款與條件第6.4條的規定的前提下）就該情況要求公司按要求向股份代持人發行相關H股。

對於被轉股的境外優先股，境外優先股股東應被視為已經放棄對該等被轉股的境外優先股的所有權利和權利主張，並且應被視為已不可撤銷地指示並授權公司將該等境外優先股的清算優先金額用於繳足向（代表境外優先股股東持有的）股份代持人發行和交付的H股。

公司按照本條款與條件第6.1條的規定向股份代持人發行相應數量的H股，應被視為公司就相關轉股向境外優先股股東發行H股的相關義務全部履行；自公司向股份代持人發行H股起，境外優先股股東對該等H股的權利將限於本條款與條件第6.4條規定的其享有的H股的權利。

6.4 轉股程序

為獲得根據本條款與條件第6.1條交付的H股，各境外優先股股東必須採取下列行動：

(a) 境外優先股股東應將其持有的境外優先股股份憑證交付給財務代理；及

(b) 向財務代理交付已簽署的轉股信息通知（境外優先股股東可要求財務代理提供通知樣式），通知財務代理下列信息：(i)用於該等H股股東名冊登記和接收股份憑證或持有聲明的該境外優先股股東（或其指定的受讓該等H股的任何人士）的姓名（名稱）、地址（住所）、職業或性質；及(ii)（如適用）用於接收該等H股的證券賬戶信息。

在境外優先股由總額證書代表，並且總額證書由Euroclear、Clearstream, Luxembourg或任何其他清算系統代表持有期間，在公司按照本條款與條件發出轉股通知後，境外優先股的持有人可根據Euroclear、Clearstream, Luxembourg或任何其他清算系統（視具體情況而定）的標準程序，按照相關清算系統（視具體情況而定）不時可接受的方式，在本條款與條件規定的時限內向財務代理提供就完成發行和交付H股所需的信息。無需將總額證書及轉股信息通知（定義見財務代理協議）交予財務代理存托。

公司可不經境外優先股股東的同意而制訂其自主酌情視為合理必要的關於因轉股而交付H股的進一步規定，以反映境外優先股和H股的相關清算系統的現有規則、程序和實際操作。

交付該等信息及股份憑證的境外優先股股東須支付境外優先股轉股產生的任何稅費及資本利得稅、印花稅、發行、註冊及轉讓稅或關稅(除就轉股後發行及交付H股應在中國或香港支付的稅費或關稅(如有)由公司支付外)。公司將支付因轉股而發行H股的所有其他開支及費用以及財務代理和股份代持人的費用。

如果因任何原因(無論是否為境外優先股股東的過錯)導致財務代理截至相關股份交付日所在月份的下一個月的最後一個交易日為止，仍未從境外優先股股東處收到上述股份憑證或信息，則股份代持人將出售相關轉股項下應交付給相關境外優先股股東的H股，並在相關境外優先股股東提出支付要求後儘快將該等出售所得的淨收入(在扣除相關經紀費、印花稅和其他稅費以後)以現金形式支付給相關境外優先股股東。

除非公司確信適用持股法律，無條件允許或在滿足公司(自主決定)認為可以接受且沒有過於繁重的條件的情況下允許，境外優先股股東獲取因轉股而向(代表該境外優先股股東持有的)股份代持人交付的全部或部份H股(原本應交付給相關境外優先股股東，但公司認為該境外優先股股東由於受到相關限制而無法取得的該等H股，稱為"**受限H股**")，股份代持人將根據本條款與條件出售受限H股並將該等出售所得的淨收入(在扣除相關經紀費、印花稅和其他稅費以後)以現金形式支付給相關境外優先股股東。

公司將維持所有必要的公司內部授權，以確保能夠發行和分配足夠數量的H股，從而履行其在本條款與條件第6條項下的義務。

即使本條款與條件第6條有任何其他規定，公司有關轉股的權利和義務以及本條款與條件第6條所述的任何H股發行的前提條件是沒有任何適用法律、法院命令或政府及監管機關的措施(包括清算)禁止公司發行該等H股。如果在相關轉股日，上述條件未獲滿足，則不得就相關觸發事件發行或交付任何H股，並且境外優先股股東對於進行該等轉股的境外優先股不再享有任何權利。

股份代持人就轉股向境外優先股股東發行及交付任何H股的前提條件是在相關股份交付日，H股在香港聯交所上市或在香港聯交所准予掛牌交易。如果在相關轉股日，上述條件未獲滿足，則不得就相關觸發事件發行或交付任何H股，並且境外優先股股東對於進行該等轉股的境外優先股不再享有任何權利。

因轉股而發行的所有H股在所有方面均與原有的已發行的H股享有同等的權益，並且在下個普通股股利分配股權登記日當日，登記在公司的普通股股東名冊中的因轉股而發行的H股股東均有權參與普通股的當期股利分配，享有同等權益。

6.5 強制轉股價格調整

(a) 如果公司通過送紅股或轉增股本的方式向H股持有人發行已記為股本已繳足的H股，則強制轉股價格應當按照下列公式進行調整：

$$P1 = P0 \times \frac{N}{(N+n)}$$

其中：

“P1” 為調整後有效的強制轉股價格。

“P0” 為調整前有效的強制轉股價格。

“N” 為該次H股發生送紅股或轉增股本前公司H股總股份數量。

“n” 為該次H股送紅股或轉增股本所發行的新增股份數量。

上述調整應自上述新H股發行之日生效。

(b) 如果(i)公司增發任何新H股(但不包括由於發行的帶有可轉為普通股條款的融資工具轉股而增加的股本),並且該次增發的每股H股價格低於該次增發的首次公告日(指已生效且不可撤銷的增發條款公告)前一個交易日每股H股收盤價(於香港聯交所發布的收盤價),或(ii)公司通過配股的方式發行任何H股,則強制轉股價格應當按照下列公式進行調整:

$$P1 = P0 \times \frac{(N + k)}{(N + n)}; k = n \times \frac{A}{M};$$

其中:

"P1" 為調整後有效的強制轉股價格。

"P0" 為調整前有效的強制轉股價格。

"N" 為該次H股發生增發新股或配股前公司H股總股份數量。

"n" 為該次H股增發新股或配股所發行的新增股份數量。

"A" 為該次H股增發新股或配股應收的每股H股的發行價格。

"M" 為該次H股增發新股或配股的首次公告日(指已生效且不可撤銷的增發或配股條款的公告)前一個交易日的每股H股收盤價(於香港聯交所發布的收盤價)。

上述調整應自上述新H股發行之日生效。

(c) 當公司發生普通股股份回購、公司合併、分立或任何其他情形使公司股份類別、數量和／或股東權益發生變化從而可能影響境外優先股股東的權益時,公司將有權視具體情況按照公平、公正、公允的原則以及充分保護境外優先股股東和普通股股東權益的原則調整強制轉股價格。該等情形下強制轉股價格的調整機制將依據有關規定予以確定。

(d) 儘管有上述任何規定,在發生上文本條款與條件第6.5(a)條至第6.5(c)條中所述情況下對強制轉股價格的任何調整應根據該等情況發生的先後順序在累積的基礎上作出。

(e) 儘管有上述任何規定，下列情形不可對強制轉股價格進行任何調整：

(i) 向普通股股東宣佈或進行任何現金分配；

(ii) 根據任何員工持股方案或計劃，向公司或其任何子公司的員工、顧問、高級人員和董事或為上述人士的利益發行、要約發行、行使、分配或授予某類別H股或其他證券（包括權利或期權）（且該員工持股方案或計劃符合、且在作出該等發行、要約發行、行使、分配或授予後仍然符合香港聯交所的上市規則）；

(iii) 如果該等調整將導致強制轉股價格上升的，但H股發生股份合併的情況以及公司根據本條款與條件第6.5(c)條進行的任何其他調整除外；或

(iv) 如果調整將導致強制轉股價格降至低於每股H股的面值。

(f) 當轉股發生在上文本條款與條件第6.5(a)條、第6.5(b)條或第6.5(c)條所述的H股發行的確定權益的股權登記日之後，但對強制轉股價格進行的相關調整根據本條款與條件第6.5(a)條、第6.5(b)條或第6.5(c)條（以適用者為準）生效之前，則轉股而發行的H股股份數量應依據相關轉股日屆時的強制轉股價格而確定，且不應對強制轉股價格進行有追溯力的調整或增加就轉股而發行H股股份數量。

(g) 就依據本條款與條件第6.5(b)條計算應收的發行價格之目的而言，適用以下條款：

(i) 如果確定的該發行價格為現金金額並以港幣以外的幣種表示，其應按上文本條款與條件第6.5(b)條所述的強制轉股價格調整的相關生效日的前一日的現行匯率折算成港幣；

(ii) 依據上述規定確定該發行價格時，不應就相關H股的發行進行的任何承銷、配售或管理所支付或產生的任何佣金或費用或任何支出（不論名目為何）作出任何扣減；及

(iii) 該發行價格應根據已收取或應收取的發行價格按上述規定確定，不論其全部或部份是否已由或應由公司或另一實體收取。

(h) 如果關於強制轉股價格是否需要進行調整或調整的恰當性（包括但不限於任何生效日的確定）產生任何疑問，公司可自行酌情與獨立顧問協商。獨立顧問就此做出的書面決定，且（除因股份合併而導致H股股份數量變化外）該調整是出於反攤薄的目的，如無明顯錯誤，應構成最終決定，並對所有各方有約束力。

(i) 如果經過調整後的強制轉股價格不是港幣一分的整數倍，則該強制轉股價格應向下取整至港幣一分。如果強制轉股價格的調整（經向下取整後，如適用）不足屆時有效的強制轉股價格的1%，則不進行該等調整。由於未達相應比例而未做出的調整和／或由於強制轉股價格的取整而捨去的餘數金額，應當予以累積並結轉計入任何後續的調整，並且在進行該等後續調整時，之前無需做出的調整應當作在原本有關時間已做出，以及／或者，視情況而定，有關向下取整捨去餘額並未作出。

(j) 公司應當根據本條款與條件第12條的規定，在強制轉股價格的調整確定後立即向財務代理和境外優先股股東發出強制轉股價格調整通知。

7 贖回

7.1 無到期日

境外優先股為永久存續，無到期日。公司僅有權根據本條款與條件第7條的規定贖回境外優先股。境外優先股股東無權要求公司贖回境外優先股，亦無權向公司回售其持有的境外優先股。

7.2 選擇性贖回

公司有權在取得銀保監會批准、以滿足本條件與條款第4.5條所規定股息派發前提條件以及贖回前提條件的前提下，在提前至少30日，但不超過60日的時間內通知境外優先股股東和財務代理後，在第一個重定價日以及後續任何付息日贖回全部或部份境外優先股，直至境外優先股全部被贖回或轉股。境外優先股的贖回價格為該境外優先股的清算優先金額加上自前一付息日（含該日）起至計劃的贖回日（不含該日）為止的期間內的已宣告但尚未支付的股息。

在根據本條款與條件第7.2條發出任何該等贖回通知的同時，公司應當向公眾公佈該贖回通知的詳情。

根據本條款與條件第7.2條發出的任何贖回通知所涉及的所有境外優先股，均應根據本條款與條件第7.2條在該等通知中規定的日期和地點，以該等通知規定的形式予以贖回。

為本條款與條件之目的：

"**贖回前提條件**"就境外優先股的任何贖回而言，指公司遵守下列條件：

(a) 公司使用同等或更高質量的資本工具替換被贖回的境外優先股，並且只有在收入能力具備可持續性的條件下才能實施資本工具的替換；或

(b) 公司行使贖回權後的資本水平仍明顯高於銀保監會等相關監管部門規定的監管資本要求。

如贖回部份境外優先股，公司應(i)按比例贖回境外優先股，或(ii)按照其善意地以及與財務代理協商以後認為適當的其他方式和地點贖回境外優先股。

在境外優先股由總額證書代表，並且總額證書由Euroclear、Clearstream, Luxembourg或任何其他清算系統代表持有期間，公司的任何該等部份境外優先股贖回應根據Euroclear、Clearstream, Luxembourg或任何其他清算系統（視具體情形而定）的規定與程序進行。

7.3 購買限制

公司承諾，除非銀保監會另行允許，否則：

(a) 公司及受其控制或重要影響的關聯方不得購買任何境外優先股；及

(b) 公司不得直接或間接為購買境外優先股提供任何融資。

任何經銀保監會允許的有關購買，應根據適用的法律和法規，由公司或其有關關聯方在公開市場或以其他方式以任何代價購買。

8 稅費和預繳

除非根據中國法律必須進行相關預提或扣除，境外優先股的清算優先金額及／或股息的付款均不得預提或扣除中國或其任何行政區劃或任何在中國境內有徵稅權的機關目前或未來施加或徵收的任何性質的稅費、稅務、核定徵稅或政府收費。如需進行該等預提或扣除，公司應當支付額外的金額，以確保境外優先股股東實際收到的金額等於不需要進行該等預提或扣除的情況下原本可以收到的金額，但在下列情況公司無須向境外優先股股東支付上述額外金額：

(a) 因與中國有特定關聯（不包括僅因持有該等境外優先股而產生的關聯），而導致該境外優先股股東需要就該等境外優先股繳納該等稅費、稅務、核定徵稅或政府收費的；

(b) 如果境外優先股股東在收到相關申報或主張請求後，未能在相關稅務機關規定的期限內向相關稅務機關提交身份、非居民聲明或其他類似免稅主張，從而導致該境外優先股股東未能享受原本可以享受的預提或扣除豁免的；或

(c) 如果在相關日期後30日之後才提交代表境外優先股的股份憑證的，但該境外優先股股東如在上述30日期限的最後一日交還股份憑證有權獲得該等額外金額的情況除外。

為避免疑義，公司就稅費、稅務、核定徵稅和其他政府收費支付額外金額的義務不適用於：(a)任何遺產稅、繼承稅、贈與稅、銷售稅、轉讓稅、個人財產稅或類似稅費、稅務、核定徵稅或其他政府收費；或(b)不是直接從境外優先股應付的清算優先金額或股息的付款中扣除或預提的，而是採用其他方式徵收的任何稅費、稅務、核定徵稅或其他政府收費；但中國或其任何行政區劃或其任何徵稅機關對境外優先股的發行徵收的所有印花稅或其他稅費、稅務、核定徵稅或其他政府收費(如有)應由公司承擔。

本條款與條件所述的境外優先股的清算優先金額或股息應視為包含公司根據本條款與條件第8條應就該等清算優先金額或股息應支付的額外金額。

代理無責任支付本條款與條件第8條提及的或其他與境外優先股有關的任何稅費、稅務、核定徵稅、政府收費、預提或其他款項，亦無責任確定有關款項是否需要支付或其金額。代理不承擔任何因發行人、任何持有人或任何第三方不履行支付任何司法轄區的稅費、稅務、核定徵稅、政府收費、預提或其他款項的責任，亦無責任提供與支付任何司法轄區施加的該等稅費、稅務、核定徵稅、政府收費、預提或其他款項有關的境外優先股相關的通知或信息，包括但不限於可允許、致使或促使境外優先股項下或與本境外優先股有關的清算優先金額、股息或其他金額無需預扣或預提任何司法轄區施加的任何稅費、稅務、核定徵稅、政府收費、預提或其他款項的通知或信息。

9 時效

任何股息從到期應付日起6年期滿仍未被領取的，該等股息應視為已被放棄並應歸於公司，並且董事會將該等未被領取的境外優先股股息或其他應付款項存入單獨的賬戶並不導致公司擔任該等款項的受託人。公司無須為未被領取的境外優先股股息及其他應付款項支付任何利息。

10 表決權

10.1 表決權限制

根據公司章程的規定，境外優先股股東無權召集及出席公司的任何股東大會或在公司的任何股東大會上表決，但下列情況除外：

(a) 修改公司章程中與優先股相關的內容；

(b) 公司一次或累計減少公司註冊資本超過百分之十；

(c) 公司合併、分立、解散或變更公司形式；

(d) 公司發行優先股；或

(e) 法律、行政法規、部門規章和公司章程規定的其他情形，

對上述事項的決議（各稱為"**特別決議**"），境外優先股股東有權出席公司的股東大會並僅就該特別決議表決，境外優先股股東有權就已發行的每股境外優先股享有一票表決權，並連同其他優先股股東，與普通股股東分類表決。由公司持有或代表公司持有的境外優先股沒有表決權。

任何特別決議，除須經出席會議的普通股股東（含表決權恢復的優先股股東）所持表決權的三分之二以上通過之外，還須經出席會議的優先股股東（不含表決權恢復的優先股股東）所持表決權的三分之二以上通過。

公司應根據公司章程的規定通知境外優先股股東出席公司與特別決議有關的任何股東大會。

10.2 表決權恢復

受制於本條款與條件第10.3條所述的撤銷恢復表決權的規定，如果：

(a) 公司連續兩個會計年度未按本條款與條件全額支付境外優先股股息；或

(b) 公司自發行日或，如根據本條款與條件第10.3條所述撤銷恢復表決權的，於最近一次恢復表決權被撤銷之日起的任何時候，累計三個會計年度未按本條款與條件全額支付境外優先股股息，

則自股東大會通過公司（就上述本條款與條件第10.2(a)條而言）不按本條款與條件全額支付上述第二筆股息或（就上述本條款與條件第10.2(b)條而言）不按本條款與條件全額支付上述第三筆股息的決議日次日起，各境外優先股股東在適用持股法律允許的範圍內有權出席任何股東大會並與普通股股東共同就股東大會擬議任何決議進行表決，一如其為普通股股東。各境外優先股股東持有的表決權份額為其持有的境外優先股的清算優先金額總額（按照1.00美元兑港幣7.7522元的固定折算匯率兑換為港幣）除以初始強制轉股價格，即每H股港幣4.52元（不作進一步調整），向下取整至最接近的H股整數股數（在適用法律法規允許的範圍內）。

以上固定折算匯率是以審議通過本次境外優先股發行方案的董事會決議公告日（即2020年12月3日）前一個交易日中國外匯交易中心公佈的銀行間外匯市場人民幣匯率中間價為基準確定的港幣和美元折算匯率（四捨五入至小數點後四位）。

10.3 撤銷恢復表決權

本條款與條件第10.2條所述授予境外優先股股東的任何表決權將在下一筆計劃支付的股息全額支付之日撤銷。為避免疑義，如果本條款與條件第10.2條所述情形在該撤銷後重現，則表決權可隨後予以恢復。

11 額外發行

公司可不時設立並發行額外優先股，且這些優先股於公司的利潤和資產分配順序在所有方面均與境外優先股級別相同，上述任何額外優先股可採用任何幣種且其利潤和資產分享權利在所有方面與境外優先股所附帶權利相同。

12 通知

公司可通過向境外優先股持有人登記地址發送預付郵資的郵件的方式向該持有人發出通知。該通知的地址書寫正確、預付郵資並在交付郵寄之日後第五日（不包括週六和週日）即視為發出通知。如持有人登記地址位於中國境外，則所有發給該持有人的通知均應通過預付郵資的航空郵寄方式發送。此外，境外優先股在任何證券交易所上市或准予掛牌交易期間，應根據該證券交易所的規定發送通知。

在境外優先股由總額證書代表，並且總額證書由Euroclear、Clearstream, Luxembourg或任何其他清算系統代表持有期間，每一該等境外優先股股東應被視為已確認並同意，公司已獲准根據總額證書中進一步説明的方式利用電子手段向該等境外優先股的持有人發送或以其他方式提供任何公司通訊（“利用電子手段”包括向該等境外優先股股東發送或以其他方式提供採用電子格式的公司通訊）。

13 代理

公司已就境外優先股委任代理。根據財務代理協議規定，公司有權終止對於任何財務代理、登記處、計算代理、付款代理或過戶代理的聘任並重新聘任其任何繼任人。根據財務代理協議行事時，以及就境外優先股而言，代理按財務代理協議規定的方式（除在財務代理協議中規定的有限情況下之外）擔任公司代理，且不對任何境外優先股股東承擔責任，亦不與其構成代理或信託關係。財務代理協議及任何代理於財務代理協議下或其他與境外優先股有關的任何責任或義務適用香港法律並按香港法律解釋。

14 適用法律及仲裁

14.1 適用法律

境外優先股及境外優先股附帶的權利和義務均適用中國法律並按中國法律解釋。

14.2 仲裁

根據公司章程，公司和境外優先股股東應當遵守以下爭議解決規則：

(a) 凡境外上市股份股東（包括境外優先股股東）與公司之間，境外上市股份股東（包括境外優先股股東）與公司董事、監事、高級管理人員之間，境外上市股份股東（包括境外優先股股東）與其他股東之間，基於公司章程、公司法及其他有關法律、行政法規所規定的權利義務發生的與公司事務有關的爭議或者權利主張，有關當事人應當將此類爭議或者權利主張提交仲裁解決。

前述爭議或者權利主張提交仲裁時，應當是全部權利主張或者爭議整體；所有由於同一事由有訴因的人或者該爭議或權利主張的解決需要其參與的人，如果其身份為公司或普通股股東、優先股股東（包含境外優先股股東）、董事、監事或其他高級管理人員，應當服從仲裁。

有關境外優先股股東界定、股東名冊的爭議，可以不用仲裁方式解決。

(b) 申請仲裁者可以選擇中國國際經濟貿易仲裁委員會按其仲裁規則進行仲裁，也可以選擇香港國際仲裁中心按其證券仲裁規則進行仲裁。申請仲裁者將爭議或者權利主張提交仲裁後，對方必須在申請者選擇的仲裁機構進行仲裁。

如申請仲裁者選擇香港國際仲裁中心進行仲裁，則任何一方可以按香港國際仲裁中心的證券仲裁規則的規定請求該仲裁在深圳進行。

(c) 以仲裁方式解決因本條款與條件第14.2(a)條所述爭議或者權利主張，適用中國法律；但法律、行政法規另有規定的除外。

(d) 仲裁機構作出的裁決是終局裁決，對各方均具有約束力。

15 貨幣補償

美元是公司在境外優先股項下或與境外優先股相關應付的全部款項（包括損害賠償）的唯一記賬和支付貨幣。若任何境外優先股股東從公司收取或受償任何以美元以外的幣種支付的、境外優先股項下明確到期應付的金額（無論是否是由於或執行任何司法管轄區的法院判決或裁定或在公司清算或其他情形下），則該支付僅解除公司對收款人在收款日或受償日（或者如果無法在該日購入美元，則在可以購入的首日）以其所獲其他幣種所能購買的美元金額的支付義務。如果境外優先股股東所能購買的美元金額少於任何境外優先股項下明確規定應向收款人支付的美元金額，公司應向其補償因此而產生

的損失。在任何情況下，公司應向收款人補償購買美元所產生的費用。就本條款與條件第15條而言，境外優先股股東僅須證明如果其實際以外幣購入美元，其將蒙受損失即可。上述補償構成獨立於公司其他義務的單獨義務，產生單獨和獨立的訴因，無論任何境外優先股股東是否寬恕，且即使已存在任何關於境外優先股項下關於應付款項的違約金判決、裁定、索賠或證據或任何其他判決或裁定，仍應繼續具有完全效力。

16 定義

“**其他一級資本**”定義見本條款與條件第6.1條。

“**其他一級資本工具**”定義見本條款與條件第6.1條。

“**代理**”定義見本條款與條件第1條。

“**其他清算系統**”定義見本條款與條件第2.3條。

“**資產公司監管辦法**”指原中國銀行業監督管理委員會、財政部、中國人民銀行、証監會、原中國保險監督管理委員會於2014年8月14日聯合頒布並於2015年1月1日生效的《金融資產管理公司監管辦法》(經不時修訂)。

“**資產管理公司資本管理辦法**”指原中國銀行業監督管理委員會於2017年12月26日頒佈並於2018年1月1日生效的《金融資產管理公司資本管理辦法(試行)》(經不時修訂)。

“**適用持股法律**”指證監會、銀保監會、香港證券及期貨事務監察委員會或香港聯交所的相關規則以及中國或香港實施的對任何人可持有權益或享有權利或權力的普通股股份數進行約束或限制的任何其他生效的法律。

“**公司章程**”定義見本條款與條件第1條。

“**額定面值**”定義見本條款與條件第2.1條。

“**基準利率**”，指計算代理確定的，等於從最近出版的統計數據新聞稿“H.15”或由聯邦儲備系統管理委員會出版的設立交投活躍的美國國債的收益率(並就可比國債發行的相應到期年期按“固定年期國債”項下調整至固定年期後所得)的任何後繼刊物得出的(代表在相關重置決定日之前一週內的每日收益率的平均數)的收益率等值的(以百分比表示的)年利率。如果並無可比國債發行於下一個重定價日前後三個月內到期，則厘定到期日與可比國債發行最接近且公開的兩筆債券的收益率，基準利率將為該收益率按直線法作更改或推斷後的數字，並約至最接近月份。如果該等新聞稿(或任何後繼刊物)未在相關重置決定日之前一週內發表，或並無刊載相關收益率，則“基準利率”應以可比國債發行到期收益率等值的年利率(以百分比表示)，該等收益率以可比國債發行相

當於相關重置決定日的可比國債價格(按本金金額的百分比表示)予以計算。若在相關重置決定日沒有可比國債價格,"基準利率"指計算代理確定的,等於從最近出版的統計數據新聞稿"H.15"或由聯邦儲備系統管理委員會出版的設立交投活躍的美國國債的收益率(並就可比國債發行的相應到期年期按"固定年期國債"項下調整至固定年期後所得)的任何後繼刊物得出的(代表在相關重置決定日之前最後發布的一周的每日收益率的平均數)的收益率等值的(以百分比表示的)年利率。基準利率將在相關重置決定日進行計算。

"**董事會**"指公司的董事會。

"**營業日**"指在紐約市和計算代理的指定辦事處所在城市的銀行均對外開展一般業務(包括外匯交易和外幣存款)的任何一日,不包括週六和週日。

"**計算代理**"定義見本條款與條件第1條。

"**計算面值**"定義見本條款與條件第4.3條。

"**現金分配**"指擬以現金(不管幣種)向普通股股東支付的任何股息或進行的任何分配,無論如何描述,也無論是否從資本公積、利潤、未分配利潤或任何其他資本或盈餘公積或賬戶中支付,其中包括就股本減少進行的或與之相關的向普通股股東分配或支付款項,但僅限於該股本減少沒有導致根據本條款與條件第6.5(c)條對強制轉股價格作出調整的情況。

"**銀保監會**"指中國銀行保險監督管理委員會(其涵義包括於2018年4月和原中國保險監督管理委員會合併為銀保監會的原中國銀行業監督管理委員會)或其他國務院銀行保險監督管理機構或任何繼任實體,包括其各自派出機構。

"**證監會**"指中國證券監督管理委員會或任何繼任實體。

"**銀保監會批准**"指由銀保監會出具的批准、同意或無異議意見,或須向銀保監會進行的報告,或銀保監會對資產公司監管辦法相關要求的豁免。

"**股份憑證**"定義見本條款與條件第2.1條。

"**Clearstream, Luxembourg**"定義見本條款與條件第2.3條。

"**公司**"定義見本條款與條件第1條。

“**公司法**”指《中國人民共和國公司法》(經不時修訂)。

“**可比國債發行**”指由公司挑選，可在挑選之時根據通行金融慣例用於對新發行五年期企業債務證券進行定價的五年期美國國債證券。

“**可比國債價格**”就相關重置決定日而言，指該重置決定日三項參照國債交易商報價的平均值。

“**強制轉股價格**”定義見本條款與條件第6.2條。

“**條款與條件**”指境外優先股條款與條件。

“**轉股**”定義見本條款與條件第6.1條。

“**轉股日**”定義見本條款與條件第6.1條。

“**轉股通知**”定義見本條款與條件第6.1條。

“**被轉股**”定義見本條款與條件第6.1條。

“**股息**”定義見本條款與條件第4條。

“**付息日**”定義見本條款與條件第4.2條。

“**計息期**”定義見本條款與條件第4.2條。

“**股息率**”指初始股息率和／或適用的重置股息率(以適用者為準)。

“**Euroclear**”定義見本條款與條件第2.3條。

“**第一個重定價日**”指2026年11月3日。

“**財務代理協議**”定義見本條款與條件第1條。

“**財務代理**”定義見本條款與條件第1條。

“**總額證書**”定義見本條款與條件第2.3條。

“**H股**”指公司發行的在香港聯交所上市(股份代號：1359)，以港幣交易的每股面值為1.00元人民幣的境外上市的普通股。

“**香港**”指中華人民共和國香港特別行政區。

“**香港聯交所**”指香港聯合交易所有限公司。

“**國際財務報告準則**”指國際會計準則委員會頒布的國際財務報告準則(經不時修訂)。

“**獨立顧問**”指公司為履行本條款與條件所述義務，自行承擔費用，不時委派的具有國際地位的任何獨立投資銀行或財務顧問；獨立顧問履行職責時應顧及公司和境外優先股股東兩方面的利益。

“**初始股息率**”定義見本條款與條件第4.1條。

“**發行日**”定義見本條款與條件第1條。

“**清算優先金額**”定義見本條款與條件第2.1條。

“**財政部**”指中國財政部。

“**境外優先股**”定義見本條款與條件第1條。

“**境外優先股股東**”或其“**持有人**”定義見本條款與條件第1條。

“**境外優先股承諾契據**”定義見本條款與條件第1條。

“**普通股**”指公司的H股及公司任何其他普通股。

“**普通股股東**”指普通股的持有人。

“**取消同等受償順序義務股息的決議**”指一項決定於有關決議日期後十二個月期間(或該決議規定的更長期間，超過十二個月的部份以十二個月的整數倍計算)內，不可撤銷地取消支付於決議通過日就境外優先股及發行在外具有同等受償順序的義務到期應付或計劃支付的股息或分配(如取消部份股息，則以全部應付金額的同等比例取消)的股東決議。

“**具有同等受償順序的義務**”指公司資本中不時存在(無論境內或境外)的任何其他系列優先股及任何其他和境外優先股享有或明確規定為享有同等受償順序的公司任何其他類別義務(無論由公司直接發行或由公司子公司發行且由公司擔保或支持承諾，而使其受償順序與或明確規定為與境外優先股相同的義務)。

“**付款代理**”定義見本條款與條件第1條。

“**支付營業日**”指在紐約市、北京、香港和財務代理指定辦事處所在城市的銀行對外開展一般業務的任何一日，不包括週六和週日。

“**人民銀行**”指中國人民銀行。

“**中國**”指中華人民共和國，但僅就本條款與條件及地理概念而言，不包括中國香港特別行政區、中國澳門特別行政區和中國臺灣地區。

“**中國會計準則**”指中國企業會計準則(經不時修訂)。

“**優先股**”指境外優先股和任何其他公司不時發行的優先股。

“**優先股股東**”指優先股的持有人。

“**現行匯率**”就任何一日的任何貨幣而言，指彭博社相關頁面顯示或產生的該貨幣在當日上午11:00(香港時間)的即期匯率。如果彭博社在當日上午11:00(香港時間)未顯示相關即期匯率或相關頁面不存在，則“現行匯率”就任何一日的任何貨幣而言，應指路透社(如路透社在當日上午11:00(香港時間)未顯示相關即期匯率或相關頁面不存在，則指發布相關信息的其他服務商)相關頁面顯示或產生的該貨幣在當日上午11:00(香港時間)的即期匯率。如果屆時無法確定該匯率，則“現行匯率”指在可以確定該匯率的前一日按上述方式確定的通行匯率。

“**收款代理協議**”定義見本條款與條件第1條。

“**收款代理**”定義見本條款與條件第1條。

“**贖回前提條件**”定義見本條款與條件第7.2條。

“**參照國債交易商**”指本公司挑選並且委任的三家全國認可投資銀行機構其中的任何一家，均須為主要的美國政府證券交易商。

“**參照國債交易商報價**”就各參照國債交易商和重置決定日而言，指計算代理確定的可比國債發行的競標價格和要約價格的平均值，均以該等價格佔其本金金額的百分比表示，由該參照國債交易商在該重置決定日下午6:00(紐約市時間)或該時間前後向公司及計算代理書面報價。

“**股東名冊**”定義見本條款與條件第2.1條。

“**登記處**”定義見本條款與條件第1條。

“**相關日期**”指以下各日期較晚發生者：(a)相關款項最初到期應付日；及(b)如全部應付金額於該到期應付日當日或之前未予支付，全部金額已經支付且向境外優先股股東發出相應通知之日。

“**相關損失吸收金額**”定義見本條款與條件第6.1條。

“**重定價日**”定義見本條款與條件第4.1條。

“**重置決定日**”就重置期而言，指作為該重置期起點的那個重定價日之前的兩個營業日當日。

“**重置股息率**”定義見本條款與條件第4.1條。

“**重置期**”指第一個重定價日(含該日)起至下一個重定價日(不含該日)的時段，以及重定價日(含該日)起至下一個後續重定價日(不含該日)的各個後續時段。

“**受限H股**”定義見本條款與條件第6.4條。

“**股份交付日**”定義見本條款與條件第6.3條。

“**股份代持人**”定義見本條款與條件第6.1條。

“**特別決議**”定義見本條款與條件第10.1條。

“**國務院**”指中國國務院。

“**二級資本**”定義見本條款與條件第6.1條。

“**二級資本工具**”定義見本條款與條件第6.1條。

“**交易日**”指香港聯交所開門營業並可進行H股交易的任何一天(星期六或星期天除外)。

“**過戶代理**”定義見本條款與條件第1條。

“**觸發事件**”定義見本條款與條件第6.1條。

“**觸發事件營業日**”定義見本條款與條件第6.1條。

“**觸發事件有效日**”定義見本條款與條件第6.1條。

“**美國國內税收法**”指定義見本條款與條件第5.2條。

“**清算**”涉及公司的清算、解散、破產或涉及公司的其他類似程序(但為進行重組、整合、聯合、合併或重整而進行的且其條款已事先經境外優先股股東特別決議批准的除外)。

INDEX TO FINANCIAL STATEMENTS

Notes:

(1) The independent auditor's reports on the financial statements of the Group for the years ended 31 December 2019 and 2020 set forth herein have been reproduced from the Company's 2019 and 2020 annual reports respectively and page references in such independent auditor's report are references to pages set forth in the relevant annual report.

(2) The unaudited but reviewed consolidated financial statements of the Group as at and for the six months ended 30 June 2021 as set out herein have been reproduced from the 2021 interim report as published by the Company on 24 September 2021 on HKExnews' website (www.hkexnews.hk), including the page numbers and page references set forth in such interim report.

Independent Auditor's Report

Ernst & Young
22/F, CITIC Tower
1 Tim Mei Avenue
Central, 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 pages 176 to 451, which comprise the consolidated statement of financial position as at December 31, 2019, 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, 2019, 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
(1) Classification and impairment assessment of financial assets	
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 principal amount. The Group's disclosures about accounting judgements and estimations are included in Note V.1 Classification of financial assets.	1. Classification of financial assets Our audit procedures included reviewing accounting policies related to the Group's classification of financial assets, assessing and testing the design and operating effectiveness of controls over the assessment of the business model for managing the financial assets and the assessment of contractual cash flow characteristics in the process of classification of financial assets. We reviewed management's business model assessment by obtaining supporting evidence on how the business performance is measured and assessing the frequency and relative amount in sales in the past. We obtained understanding and assessed the logic of 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.

<table>
<tr><th>Key audit matter</th><th>How our audit addressed the key audit matter</th></tr>
<tr><td>The Group adopts the expected credit loss model to assess the impairment of financial assets according to IFRS 9. Complex models and assumptions are used in the measurement of expected credit losses for loans and advances to customers and distressed debt assets at amortized cost, for example:

• Significant increases in credit risk – The selection of criteria for identifying significant increases in credit risk are 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.</td><td>2. Impairment assessment of financial assets

Our audit procedures included assessing and testing the design and operating effectiveness of controls over the measurement of expected credit losses for loans and advances to customers and distressed debt assets at amortized cost.

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

• Assessing the reasonableness of the expected credit loss model methodology;

• Assessing the reasonableness of related parameters, including the probability of default, loss given default, risk exposure, and the significant increases in credit risk;

• Assessing the forward-looking information management used to determine expected credit losses, including the forecasts of macroeconomic variables and the assumptions of multiple macroeconomic scenarios; and

• Evaluating the models and the related assumptions used in individual impairment assessment and analyzed the amount, timing and likelihood of management's estimated future cash flows, especially cash flows from collateral.</td></tr>
</table>

Key audit matter	How our audit addressed the key audit matter
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.72.1 Credit risk.	Based on the financial and non-financial information of the debtors and other external evidence, we selected samples and assessed the appropriateness of the identification of credit ratings, significant increases in credit risk and credit-impaired financial assets applied by management. In addition, we selected samples and checked key data used in the models, including historical data and measurement data, to evaluate the accuracy and completeness of the data used. Furthermore, we checked the appropriateness of related disclosures including the disclosures of credit risk and expected credit losses.
(2) Valuation of financial instruments	
Financial assets carried at fair value represented a significant portion of total assets. The fair values of level 2 and level 3 financial instruments are determined through the application of valuation techniques which often involve the exercise of judgement by management and the use of assumptions and estimates. The Group's disclosures about accounting judgements and estimation and the details of these financial assets are included in Note V.2 Fair value of financial instruments and Note VI.73 Fair values of financial instruments.	Our audit procedures included assessing and testing the design and operating effectiveness of controls over the identification, measurement and management of valuation risk. We compared observable inputs, such as quoted bid prices in an active market, against independent sources and externally available market data 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.

<table>
<tr><th>Key audit matter</th><th>How our audit addressed the key audit matter</th></tr>
<tr><td colspan="2">(3) Assessment of control, joint control and significant influence</td></tr>
<tr><td>The Group makes significant judgements to assess whether the Group has control over structured entities, and joint control or significant influence over the structured entities and other investees.

• The Group has interests in various structured entities including private equity funds, trusts, asset management plans, wealth management products and mutual funds. The consolidation of those entities is determined by the Group on the basis of control, which involves management's judgement upon power over the structured entities' relevant activities, exposure to variable returns from its involvement with the structured entities, and the ability to use the power to affect the amount of its returns;

• The joint control over the structured entities and other investees is determined by the Group's assessment of the existence of sharing of control. The assessment involves judgement on whether decisions about the relevant activities require the unanimous consent of the parties sharing control; and</td><td>We evaluated and tested the design and operating effectiveness of the key controls related to the Group's assessment of whether it has control, joint control or significant influence over structured entities and other investees.

We assessed the Group's analysis and conclusions on whether or not it controls structured entities based on the Group's analysis on its power over structured entities' relevant activities, and the magnitude and variability of variable returns from its involvement with structured entities. We also evaluated the appropriateness of the Group's assessment on its legal or constructive obligation to absorb loss of structured entities by reviewing relevant agreements or contracts, and whether the Group has provided liquidity support or credit enhancement to structured entities. Furthermore, we checked the appropriateness of related disclosures including interests in consolidated and unconsolidated structured entities.</td></tr>
</table>

Key audit matter	How our audit addressed the key audit matter
• The significant influence over the structured entities and other investees is determined by the Group's assessment of its power to participate in the structured entities and other investees' financial and operating policy decisions. The assessment involves significant judgement based on factors such as the structured entities and other investees' policy-making process, composition of the board of directors or other governing bodies, change in ownership and existence of contractual arrangements. Due to the significance of these investments to the Group and the complexity of judgement exercised by management, this is considered as a key audit matter. The Group's disclosures about accounting judgements and estimation and the details of these equity investments are included in Note V.6 Control on structured entities, Note V.7 Judgement on joint control, Note V.8 Judgement on significant influence and Note VI.34 Interests in subsidiaries, Note VI.36 Interests in consolidated structured entities and Note VI.37 Interests in associates and joint ventures.	We also assessed the Group's analysis and conclusions on the existence of joint control or significant influence over the structured entities and other investees. We made inquiries and inspections of the relevant contracts and agreements of investments to evaluate the Group's assessment of its power to joint control over the structured entities and other investees' relevant activities, or to participate in the structured entities and other investees' financial and operating policy decisions. We also reviewed the minutes of the meetings of the investors or shareholders, the board of directors or other governing bodies of the structured entities and other investees. We evaluated the Group's reassessment of its influence over the structured entities and other investees on a continuous basis if facts and circumstances indicated that there were changes. Furthermore, we checked the appropriateness of related disclosures of interests in associates and joint ventures.

Key audit matter	How our audit addressed the key audit matter
(4) Transfer of financial assets	
Distressed asset management is one of the Group's core businesses, which involves management's judgement upon whether the transfer should be applied to part of a financial asset or the financial asset in its entirety, as well as the evaluation of whether, and to what extent, transfer is appropriate. Considering the significant impact and the usage of judgement and subjective estimation by management in relation to the accounting treatment, we treated the transfer of financial assets as a key audit matter. The Group's disclosures about accounting judgements and estimation and the details of these transfers of financial assets are included in Note V.4 Transfer of financial assets and Note VI.69 Transfers of financial assets.	Our audit procedures included assessing and testing the design and operating effectiveness of controls over judgement and estimation involved in the transfer of financial assets. We obtained and reviewed related contracts and agreements and assessed whether the Group should derecognize financial assets based on relevant facts and circumstances, mainly including the nature and purpose of the financial assets transferred, the Group's exposure, before and after the transfer, to the variability in the amounts and timing of the net cash flows of the transferred assets, as well as whether the Group had retained the control of the transferred assets. We checked related agreements for transfer of significant financial assets to assess whether the financial assets should be derecognized. Furthermore, we checked the appropriateness of related disclosures of transfer of financial assets.

Other information included in the Annual Report

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

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

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

Responsibilities of the directors for the consolidated financial statements

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

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

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

Ernst & Young
Certified Public Accountants

Hong Kong

March 31, 2020

Consolidated Statement of Profit or Loss

For the year ended December 31, 2019
(Amounts in thousands of RMB, unless otherwise stated)

	Notes VI	Year ended December 31 2019	2018
Continuing operations			
Income from distressed debt assets at amortized cost	1	**16,403,571**	19,308,309
Fair value changes on distressed debt assets	2	**13,645,346**	11,451,465
Fair value changes on other financial instruments	3	**14,840,082**	16,084,956
Investment income	4	**464,489**	152,898
Interest income	5	**25,401,626**	25,005,699
Revenue from sales of inventories	6	**18,169,404**	17,446,425
Commission and fee income	7	**3,536,558**	3,649,822
Net gains on disposal of subsidiaries, associates and joint ventures	8	**881,604**	1,550,907
Other income and other net gains or losses	9	**2,804,212**	3,452,898
Total		**96,146,892**	98,103,379
Interest expense	10	**(44,366,553)**	(46,286,495)
Employee benefits	11	**(6,001,940)**	(5,370,519)
Purchases and changes in inventories	6	**(12,868,770)**	(11,382,225)
Commission and fee expense	12	**(719,580)**	(850,244)
Taxes and surcharges		**(577,027)**	(624,758)
Depreciation and amortization expenses		**(1,558,673)**	(939,758)
Other expenses		**(3,540,985)**	(3,764,032)
Impairment losses on assets	13	**(8,924,233)**	(8,156,178)
Total		**(78,557,761)**	(77,374,209)
Change in net assets attributable to other holders of consolidated structured entities	36	**(237,540)**	(519,775)
Profit before share of results of associates and joint ventures and tax		**17,351,591**	20,209,395
Share of results of associates and joint ventures		**1,920,849**	2,488,448
Profit before tax from continuing operations	14	**19,272,440**	22,697,843
Income tax expense	15	**(5,754,622)**	(6,951,885)
Profit for the year from continuing operations		**13,517,818**	15,745,958

(Amounts in thousands of RMB, unless otherwise stated)

		Year ended December 31	
	Notes VI	**2019**	2018
Discontinued operation			
Profit/(loss) after tax for the year from a discontinued operation	76	**1,500,399**	(3,866,049)
Profit for the year		**15,018,217**	11,879,909
Profit attributable to:			
Equity holders of the Company		**13,052,946**	12,036,131
Non-controlling interests		**1,965,271**	(156,222)
		15,018,217	11,879,909
Earnings per share attributable to equity holders of the Company (Expressed in RMB Yuan per share)	16		
– Basic		**0.31**	0.29
– Diluted		**0.31**	0.29
Earnings per share attributable to equity holders of the Company for continuing operations (Expressed in RMB Yuan per share)	16		
– Basic		**0.28**	0.34
– Diluted		**0.28**	0.34

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

Consolidated Statement of Comprehensive Income

For the year ended December 31, 2019
(Amounts in thousands of RMB, unless otherwise stated)

	Year ended December 31	
	2019	2018
Profit for the year	**15,018,217**	11,879,909
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	**463,240**	471,538
Amounts reclassified to profit or loss upon disposal	**(191,762)**	(48,077)
Amounts of profit or loss upon impairment	**8,383**	146,295
	279,861	569,756
Exchange differences arising on translation of foreign operations	**(7,527)**	297,234
Share of other comprehensive income of associates and joint ventures	**216,646**	(31,503)
Subtotal	**488,980**	835,487
Items that will not be reclassified subsequently to profit or loss:		
Remeasurement of supplementary retirement benefits	**(11,581)**	(5,089)
Fair value changes on equity instruments designated as at fair value through other comprehensive income	**614,796**	(1,247,794)
Subtotal	**603,215**	(1,252,883)
Other comprehensive income for the year, net of income tax	**1,092,195**	(417,396)
Total comprehensive income for the year	**16,110,412**	11,462,513
Total comprehensive income attributable to:		
Equity holders of the Company	**14,169,390**	11,564,480
Non-controlling interests	**1,941,022**	(101,967)
	16,110,412	11,462,513

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

Consolidated Statement of Financial Position

As at December 31, 2019

(Amounts in thousands of RMB, unless otherwise stated)

		As at December 31	
	Notes VI	**2019**	2018
Assets			
Cash and balances with central banks	21	**19,002,051**	16,651,911
Deposits with banks and financial institutions	22	**70,837,593**	80,102,582
Deposits with exchanges and others	23	**1,323,359**	967,699
Placements with banks and financial institutions	24	**11,152,300**	18,470,497
Financial assets at fair value through profit or loss	25	**412,164,583**	428,791,036
Financial assets held under resale agreements	26	**13,212,454**	33,805,064
Financial assets at fair value through other comprehensive income	27	**136,802,965**	116,827,578
Loans and advances to customers	28	**337,859,064**	336,616,502
Financial assets at amortized cost	29	**227,645,067**	252,416,716
Accounts receivable	30	**2,402,725**	4,151,934
Properties held for sale	32	**59,587,157**	61,724,050
Investment properties	33	**5,861,059**	4,267,513
Interests in associates and joint ventures	37	**73,006,289**	74,295,710
Property and equipment	39	**17,611,309**	11,794,234
Goodwill	40	**23,548,562**	23,038,817
Other intangible assets	41	**4,201,855**	4,242,718
Deferred tax assets	42	**6,756,583**	6,159,808
Assets held for sale	76	**61,394,178**	–
Other assets	43	**28,860,854**	21,434,840
Total assets		**1,513,230,007**	1,495,759,209

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

Consolidated Statement of Financial Position

As at December 31, 2019

(Amounts in thousands of RMB, unless otherwise stated)

	Notes VI	As at December 31	
		2019	2018
Liabilities			
Borrowings from central bank	44	**1,010,860**	986,058
Accounts payable to brokerage clients	45	**14,320,344**	10,315,842
Financial liabilities at fair value through profit or loss	46	**5,065,256**	4,523,349
Financial assets sold under repurchase agreements	47	**19,495,590**	12,970,207
Placements from banks and financial institutions	48	**14,084,819**	20,218,650
Borrowings	49	**536,591,304**	570,870,150
Due to customers	50	**275,205,766**	254,099,918
Deposits from banks and financial institutions	51	**14,157,128**	22,380,749
Accounts payable	52	**5,050,797**	5,303,813
Investment contract liabilities for policyholders	53	**–**	13,206,016
Tax payable	54	**4,331,779**	5,474,956
Insurance contract liabilities	55	**–**	37,606,574
Bonds issued	56	**304,849,566**	283,115,066
Contract liabilities	57	**24,087,036**	25,040,984
Deferred tax liabilities	42	**2,299,671**	2,387,044
Liabilities held for sale	76	**57,924,139**	–
Other liabilities	58	**46,345,491**	48,691,367
Total liabilities		**1,324,819,546**	1,317,190,743

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

(Amounts in thousands of RMB, unless otherwise stated)

	Notes VI	As at December 31 2019	2018
Equity			
Share capital	59	**38,164,535**	38,164,535
Other equity instruments	60	**21,281,215**	21,281,215
Capital reserve	61	**20,239,333**	21,257,033
Other comprehensive income	62	**(35,688)**	(1,152,132)
Surplus reserve	63	**8,510,147**	7,857,883
General reserve	64	**15,961,421**	15,043,296
Retained earnings		**60,777,160**	54,041,001
Equity attributable to equity holders of the Company		**164,898,123**	156,492,831
Non-controlling interests		**23,512,338**	22,075,635
Total equity		**188,410,461**	178,568,466
Total equity and liabilities		**1,513,230,007**	1,495,759,209

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, 2019

(Amounts in thousands of RMB, unless otherwise stated)

	Equity attributable to equity holders of the Company									
	Share capital (Note VI.59)	Other equity instruments (Note VI.60)	Capital reserve (Note VI.61)	Other comprehensive income (Note VI.62)	Surplus reserve (Note VI.63)	General reserve (Note VI.64)	Retained earnings	Subtotal	Non-controlling interests	Total
As at January 1, 2019	38,164,535	21,281,215	21,257,033	(1,152,132)	7,857,883	15,043,296	54,041,001	156,492,831	22,075,635	178,568,466
Profit for the year	-	-	-	-	-	-	13,052,946	13,052,946	1,965,271	15,018,217
Other comprehensive income for the year	-	-	-	1,116,444	-	-	-	1,116,444	(24,249)	1,092,195
Total comprehensive income for the year	-	-	-	1,116,444	-	-	13,052,946	14,169,390	1,941,022	16,110,412
Acquisition of subsidiaries	-	-	-	-	-	-	-	-	465,423	465,423
Appropriation to surplus reserve	-	-	-	-	652,264	-	(652,264)	-	-	-
Appropriation to general reserve	-	-	-	-	-	918,125	(918,125)	-	-	-
Dividends recognized as distribution	-	-	-	-	-	-	(4,746,398)	(4,746,398)	-	(4,746,398)
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	(556,313)	(556,313)
Dividends paid to capital securities	-	-	-	-	-	-	-	-	(413,892)	(413,892)
Share of associates' equity changes other than comprehensive income and distribution	-	-	(1,017,237)	-	-	-	-	(1,017,237)	-	(1,017,237)
Others	-	-	(463)	-	-	-	-	(463)	463	-
As at December 31, 2019	38,164,535	21,281,215	20,239,333	(35,688)	8,510,147	15,961,421	60,777,160	164,898,123	23,512,338	188,410,461

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

(Amounts in thousands of RMB, unless otherwise stated)

	Equity attributable to equity holders of the Company								Non-controlling interests	Total
	Share capital (Note VI.59)	Other equity instruments (Note VI.60)	Capital reserve (Note VI.61)	Other comprehensive income (Note VI.62)	Surplus reserve (Note VI.63)	General reserve (Note VI.64)	Retained earnings	Subtotal		
As at December 31, 2017	38,164,535	21,281,215	21,236,051	(1,685,551)	6,942,226	12,506,625	50,949,383	149,394,484	18,870,178	168,264,662
Changes in accounting policies	–	–	–	629,673	–	–	1,379,626	2,009,299	(21,181)	1,988,118
As at January 1, 2018	38,164,535	21,281,215	21,236,051	(1,055,878)	6,942,226	12,506,625	52,329,009	151,403,783	18,848,997	170,252,780
Profit for the year	–	–	–	–	–	–	12,036,131	12,036,131	(156,222)	11,879,909
Other comprehensive income for the year	–	–	–	(471,651)	–	–	–	(471,651)	54,255	(417,396)
Total comprehensive income for the year	–	–	–	(471,651)	–	–	12,036,131	11,564,480	(101,967)	11,462,513
Capital contribution from non-controlling interests of subsidiaries	–	–	–	–	–	–	–	–	316,111	316,111
Retained earnings transferred from other comprehensive income	–	–	–	375,397	–	–	(375,397)	–	–	–
Acquisition of a subsidiary	–	–	–	–	–	–	–	–	3,714,234	3,714,234
Acquisition of additional interests in a subsidiary	–	–	25,882	–	–	–	–	25,882	(25,882)	–
Disposal of interests in a subsidiary	–	–	–	–	–	–	–	–	(5,646)	(5,646)
Appropriation to surplus reserve	–	–	–	–	915,657	–	(915,657)	–	–	–
Appropriation to general reserve	–	–	–	–	–	2,536,671	(2,536,671)	–	–	–
Dividends recognized as distribution	–	–	–	–	–	–	(6,496,414)	(6,496,414)	–	(6,496,414)
Dividends paid to non-controlling interests	–	–	–	–	–	–	–	–	(670,212)	(670,212)
Others	–	–	(4,900)	–	–	–	–	(4,900)	–	(4,900)
As at December 31, 2018	38,164,535	21,281,215	21,257,033	(1,152,132)	7,857,883	15,043,296	54,041,001	156,492,831	22,075,635	178,568,466

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

Consolidated Statement of Cash Flows

For the year ended December 31, 2019
(Amounts in thousands of RMB, unless otherwise stated)

	Year ended December 31	
	2019	2018
OPERATING ACTIVITIES		
Profit before tax from continuing operations	**19,272,440**	22,697,843
Profit/(loss) before tax from a discontinued operation	**273,224**	(3,909,297)
Adjustments for:		
Impairment losses on assets	**8,962,758**	8,158,977
Depreciation of property and equipment, investment properties and right-of-use assets	**1,276,349**	693,937
Amortization of intangible assets and other long-term assets	**375,844**	308,993
Share of results of associates and joint ventures	**(1,947,582)**	(2,496,919)
Net gains on disposal of property and equipment, investment properties and other intangible assets	**(96,132)**	(193,758)
Net gains on disposal of subsidiaries and associates and joint ventures	**(881,604)**	(1,550,907)
Fair value changes on financial assets	**(18,856,564)**	(9,117,604)
Investment income	**(259,559)**	(121,478)
Interest income	**(5,654,883)**	(3,605,723)
Borrowing costs	**18,660,175**	16,379,338
Change in reserves for insurance contracts	**4,269,686**	(2,285,203)
Operating cash flows before movements in working capital	**25,394,152**	24,958,199
Decrease/(increase) in balances with central banks and deposits with banks and financial institutions	**6,187,258**	(5,379,578)
Increase in financial assets at fair value through profit or loss	**(29,128,812)**	(26,966,150)
Decrease in placements with financial institutions	**749,568**	845,689
(Increase)/decrease in financial assets held under resale agreements	**(3,087,731)**	14,537,376
Decrease/(increase) in financial assets measured at amortized cost	**15,554,372**	(23,257,336)
Increase in loans and advances to customers	**(1,567,474)**	(28,986,535)
Decrease/(increase) in accounts receivable	**2,148,065**	(2,430,880)
Decrease/(increase) in properties held for sale	**1,612,992**	(6,645,022)
Increase in due to customers and deposits from banks and financial institutions	**12,882,227**	31,000,615
Increase/(decrease) in accounts payable to brokerage clients	**4,004,502**	(2,077,971)
Increase in financial assets sold under repurchase agreements	**10,996,637**	2,935,356
Decrease in borrowings	**(32,911,573)**	(9,867,075)
(Decrease)/increase in accounts payable	**(222,996)**	666,735
(Decrease)/increase in contract liabilities	**(953,948)**	11,017,990
(Increase)/decrease in other operating assets	**(10,697,336)**	6,995,989
Decrease in other operating liabilities	**(16,047,047)**	(7,970,443)
Cash outflow from operations	**(15,087,144)**	(20,623,041)
Income taxes paid	**(7,043,073)**	(6,969,113)
NET CASH OUTFLOW FROM OPERATING ACTIVITIES	**(22,130,217)**	(27,592,154)

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

(Amounts in thousands of RMB, unless otherwise stated)

	Year ended December 31	
	2019	2018
INVESTING ACTIVITIES		
Cash receipts from disposals and recovery of investment securities	**173,631,366**	178,116,015
Dividends received from investment securities	**9,512,655**	9,817,779
Dividends received from associates and joint ventures	**1,320,410**	371,422
Interest received from investment securities	**3,975,226**	3,676,913
Cash receipts from disposals of property and equipment, investment properties and other intangible assets	**376,852**	230,725
Net cash flows from disposals of subsidiaries	**83,078**	6,574
Net cash flows from disposals of associates and joint ventures	**4,742,210**	3,322,440
Cash payments to acquire investment securities	**(178,079,595)**	(203,763,800)
Net cash inflows/(outflows) due to acquisition of subsidiaries	**231,305**	(2,300,100)
Net cash flows from consolidated structured entities	**(5,312,277)**	(11,553,162)
Cash payments for purchase of property and equipment, investment properties and other intangible assets	**(6,961,317)**	(2,747,514)
Cash payments for establishment and acquisition of interests in associates and joint ventures	**(3,840,087)**	(4,455,562)
NET CASH OUTFLOW FROM INVESTING ACTIVITIES	**(320,174)**	(29,278,270)
FINANCING ACTIVITIES		
Capital contribution from non-controlling interests of subsidiaries of the Company	**–**	316,111
Cash receipts from borrowings raised	**60,038,429**	27,427,269
Cash receipts from bonds issued	**103,560,353**	105,228,500
Cash receipts from financial assets sold under repurchase agreements	**–**	4,192,068
Cash repayments on financial assets sold under repurchase agreements	**(4,227,068)**	(1,083,389)
Cash repayments of borrowings	**(60,530,839)**	(35,666,281)
Cash repayments of bonds	**(77,280,443)**	(34,203,564)
Interest expenses on borrowings and bonds	**(17,936,493)**	(18,287,207)
Dividends paid	**(4,746,398)**	(6,506,343)
Dividends paid to non-controlling interests of subsidiaries	**(970,205)**	(670,415)
Cash payments for other financing activities	**(622,522)**	(189,075)
NET CASH (OUTFLOW)/INFLOW FROM FINANCING ACTIVITIES	**(2,715,186)**	40,557,674

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

For the year ended December 31, 2019
(Amounts in thousands of RMB, unless otherwise stated)

	Notes VI	Year ended December 31 2019	2018
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(25,165,577)**	(16,312,750)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		**106,066,408**	119,930,341
Effect of foreign exchange changes		**1,848,506**	2,448,817
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	66	**82,749,337**	106,066,408
Net cash flows from operating activities include:			
Interest received		**20,659,833**	22,149,452
Interest paid		**26,265,734**	30,622,464

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

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, 2019, 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; insurance; fund management; asset management; trust; financial leasing services; real estate and industrial investments and other businesses approved by the CBIRC or other regulatory bodies.

II. BASIS OF PREPARATION

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

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

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.

(Amounts in thousands of RMB, unless otherwise stated)

III. APPLICATION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS

Standards, amendments and interpretations effective in 2019

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, 2019.

IFRS 16	Leases
IFRIC Interpretation 23	Uncertainty over Income Tax Treatments
IAS 19 Amendments	Plan amendment, curtailment or settlement
IAS 28 Amendments	Long-term Interests in Associates and Joint Ventures
Annual Improvements to IFRSs 2015-2017 cycle (issued in December 2017)	

In January 2016, the IASB issued IFRS 16 Leases, which replaced IAS 17 and IFRIC 4. Under IFRS 16, the classifications of finance Leases and operating Leases for lessees are removed, and lessees recognize right-of-use assets and lease liabilities for all leases except for short-term leases and low-value assets leases elected to be accounted for using a practical expedient) and recognize depreciation and interest expense, respectively. The Group has adopted IFRS 16 from January 1, 2019 and applied the modified retrospective approach without restating comparative figures. The Group has not reassessed existing contracts before the date of initial application and adopted several specified practical expedients, including applying a single discount rate to a portfolio of leases with reasonably similar characteristics; accounting for leases for which the lease term ends within 12 months from the date of initial application in the same way as short-term leases; excluding initial direct costs from the measurement of the right-of-use assets at the date of initial application; and using hindsight, such as in determining the lease term if the contract contains options to extend or terminate the lease. As a lessee, the Group has elected to exercise the recognition exemption not to recognize the right-of-use assets and lease liabilities for the leases of which the underlying assets are of low value or for which the contract would end within 12 months from the date of initial application, and has recognized the profit or loss on a straight-line basis over the lease term. Therefore, the financial information for the twelve-month period ended December 31, 2019 related to leasing presented in the financial report is not comparable with the financial information presented in the 2018 audit report in accordance with the former lease standards.

(Amounts in thousands of RMB, unless otherwise stated)

III. APPLICATION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS (continued)

Standards, amendments and interpretations effective in 2019 (continued)

For the minimum lease payments for the operating leases disclosed in the financial statements of 2018, the Group used its incremental borrowing rate at January 1, 2019 as the discount rate of the lease payments, which was between 3.20% and 6.31%. The reconciliation to the opening balance of the lease liabilities as at January 1, 2019 is as follows:

Minimum lease payments for operating leases as at December 31, 2018	949,960
Less: minimum lease payments with recognition exemption – short-term leases	54,983
Less: minimum lease payments with recognition exemption – leases of low-value assets	210
Less: the impact of lease payments discounted at incremental borrowing rate as at January 1, 2019	113,574
Add: Increase of minimum lease payments if a lessee is reasonably certain to exercise an option to extend a lease	550,142
Less: other adjustments	53,994
Lease liabilities as at January 1, 2019	1,277,341
Right-of-use assets as at January 1, 2019	1,408,609

IFRIC Interpretation 23 clarifies how to apply the recognition and measurement requirements in IAS 12 Income Taxes when there is uncertainty over income tax treatments. The interpretation mainly addresses the following four areas: whether an entity separately considers the uncertainty of tax treatments; assumptions adopted by an entity to address the examination of tax treatments by taxation authorities; how an entity determines taxable profit/(tax loss), tax bases, unused tax losses, unused tax credits and tax rates; and how an entity considers changes in facts and circumstances.

IAS 19 Amendments require entities to use the updated actuarial assumptions to determine current service cost and net interest for the remainder of the annual reporting period after such an event. The amendments also clarify how the requirements for accounting for a plan amendment, curtailment or settlement affect the asset ceiling requirements. The amendments do not address the accounting for “significant market fluctuations” in the absence of a plan amendment, curtailment or settlement.

(Amounts in thousands of RMB, unless otherwise stated)

III. APPLICATION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS (continued)

Standards, amendments and interpretations effective in 2019 (continued)

IAS 28 Amendments clarify that an entity applies IFRS 9 Financial Instruments to long-term interests in an associate or joint venture to which the equity method is not applied but that, in substance, form part of the net investment in the associate or joint venture (long-term interests). Entities must apply the amendments retrospectively, with certain exceptions.

Annual Improvements to IFRSs 2015-2017 Cycle were issued in December 2017. Those amendments affect IFRS 3 Business Combinations, IFRS 11 Joint Arrangements, IAS 12 Income Taxes and IAS 23 Borrowing Costs.

The adoption of the above standards, amendments and interpretations 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 2019

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

		Effective for annual periods beginning on or after
IFRS 3 Amendments	Definition of a Business	January 1, 2020
IAS 1 and IAS 8 Amendments	Definition of Material	January 1, 2020
IFRS 9, IAS 39 and IFRS 7 Amendments	Interest Rate Benchmark Reform	January 1, 2020
IFRS 17	Insurance Contracts	January 1, 2021
IFRS 10 and IAS 28 Amendments	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Effective date has been deferred indefinitely

III. APPLICATION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS (continued)

Standards, amendments and interpretations that are not yet effective in 2019 (continued)

IFRS 3 Amendments clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business.

Amendments to IAS 1 and IAS 8 provide a new definition of materiality. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions made by the primary users of general purpose financial statements based on those financial statements. The amendments clarify that materiality depends on the nature or magnitude of information. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users.

The amendments to IFRS 9, IAS 39 and IFRS 7 modify some specific hedge accounting requirements. During the period of uncertainty arising from phasing-out of interest-rate benchmarks with an alternative nearly risk-free interest rate ("RFR"), the entities that apply these hedge accounting requirements can assume that the interest-rate benchmarks on which the hedged cash flows and cash flows of the hedging instrument are based are not altered as a result of interest-rate benchmark reform. The amendments must be applied retrospectively.

IFRS 17 Insurance Contracts 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. In March 2020, the IASB decided to defer the effective date for IFRS 17 by two years to reporting periods beginning on or after 1 January 2023. The IASB also decided to extend the exemption currently in place for qualifying insurers regarding the application of IFRS 9, meaning that they could apply both standards for the first time to reporting periods beginning on or after 1 January 2023. As at the approval date of the consolidated financial statements, the amendments to IFRS 17 have not yet been ultimately issued by the IASB.

III. APPLICATION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS (continued)

Standards, amendments and interpretations that are not yet effective in 2019 (continued)

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

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.

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.

IV. SIGNIFICANT ACCOUNTING POLICIES (continued)

2. Basis of consolidation (continued)

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.

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.

IV. SIGNIFICANT ACCOUNTING POLICIES (continued)

3. Business combinations

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

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

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

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

4. Goodwill

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

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

IV. SIGNIFICANT ACCOUNTING POLICIES (continued)

4. Goodwill (continued)

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

5. Cash and cash equivalents

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

6. Foreign currency transactions

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

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

IV. SIGNIFICANT ACCOUNTING POLICIES (continued)

6. Foreign currency transactions (continued)

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

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

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

IV. SIGNIFICANT ACCOUNTING POLICIES (continued)

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.73 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.

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.

IV. SIGNIFICANT ACCOUNTING POLICIES (continued)

7. Financial instruments (continued)

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

Business model

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

The contractual cash flow characteristics

The assessment of contractual cash flow characteristics is to identity whether the cash flows are solely payments of principal and interest on the principal amount outstanding. Principal is the fair value of the financial asset at initial recognition. However the principal amount may change over the life of the financial asset (for example, if there are 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 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.

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

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

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

Equity instruments

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

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

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.

IV. SIGNIFICANT ACCOUNTING POLICIES (continued)

7. Financial instruments (continued)

7.4 Impairment of financial assets (continued)

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

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

- Stage I: The financial instruments without significant increases in credit risk after initial recognition are included in Stage I to calculate their impairment allowance at an amount equivalent to the ECL of the financial instruments for the next 12 months;

- Stage II: Financial instruments that have had a significant increase in credit risk since initial recognition but have no objective evidence of impairment are included in Stage II, with their impairment allowance measured at an amount equivalent to the ECL over the lifetime of the financial instruments;

- Stage III: Financial assets with objective evidence of impairment at the financial reporting date are included in Stage III, with their impairment allowance measured at the amount equivalent to the ECL over the lifetime of the financial instruments.

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

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.

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.

IV. SIGNIFICANT ACCOUNTING POLICIES (continued)

7. Financial instruments (continued)

7.4 Impairment of financial assets (continued)

(ii) Definition of credit-impaired financial asset

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

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

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

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 fulfill 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.

(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.

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.

IV. SIGNIFICANT ACCOUNTING POLICIES (continued)

7. Financial instruments (continued)

7.4 Impairment of financial assets (continued)

(iv) Forward-looking information (continued)

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.

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.

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.

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.

IV. SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

IV. SIGNIFICANT ACCOUNTING POLICIES (continued)

9. Contract assets and contract liabilities (continued)

Incremental costs of obtaining a contract

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

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

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

- The costs are expected to be recovered.

The capitalized contract costs are 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 parities 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.

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.

(Amounts in thousands of RMB, unless otherwise stated)

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%	3.80%-4.00%
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.

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.

IV. SIGNIFICANT ACCOUNTING POLICIES (continued)

14. Intangible assets (continued)

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

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

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.

IV. SIGNIFICANT ACCOUNTING POLICIES (continued)

18. Insurance contracts and significant insurance risk testing

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

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

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

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

19. Insurance contract liabilities

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

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

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

Insurance contract liabilities are measured based on reasonable estimates of the amount of payments when the Group fulfills relevant obligations under the insurance contracts, which represents the difference between expected future cash outflows and inflows under such contracts, i.e. the expected future net cash outflows.

IV. SIGNIFICANT ACCOUNTING POLICIES (continued)

19. Insurance contract liabilities (continued)

- Expected future cash outflows represent cash outflows which are necessary for the Group to fulfill the obligations under the insurance contracts (including benefits attributable to the policyholders), and mainly include:

  (i) Guaranteed benefits under the insurance contracts, including mortality benefits, disability benefits, morbidity benefits, survival benefits, maturity benefits and other benefits guaranteed by the insurance contracts;

  (ii) Non-guaranteed benefits under the insurance contracts which are subject to certain level of discretion by the Group, including policyholder dividends; and

  (iii) Reasonable expenses necessary for policy administration and claims handling, including policy maintenance expenses and claim expenses.

- Expected future cash inflows represent cash inflows arising from assuming liabilities under the insurance contracts, including premium income and other charges.

A reasonable estimate of expected future net cash flows is determined based on information available at the end of each reporting period.

Margins are considered and separately measured in determining insurance contract liabilities. Margins are released in the statement of profit or loss over the insurance coverage period using systematic and reasonable methods. Margins include risk margin and residual margin.

- Risk margin represents provision for the uncertainty associated with the future net cash flows.

- At inception of an insurance contract, any “Day 1” gain is not recognized in the statement of profit or loss, but included in the insurance contract liabilities as a residual margin. However, any “Day 1” loss should be recognized in the statement of profit or loss at inception when it occurs. Any residual margin is amortized over the life of the contracts. The subsequent measurement of residual margin is independent from reasonable estimate of future discounted cash flows and risk margin, and will not be adjusted for future changes in assumptions.

For long-term life insurance contracts, the Group amortizes the residual margin on the basis of the effective sum of insured amount or estimated dividends payout during the whole insurance coverage period. For short-term insurance contracts, the Group amortizes the residual margin on a time basis during the whole insurance coverage period and records it in profit or loss.

IV. SIGNIFICANT ACCOUNTING POLICIES (continued)

19. Insurance contract liabilities (continued)

When measuring insurance contract liabilities, time value of money is considered. The related future cash flows are discounted when the impact of time value of money is significant. For short-term insurance contracts which duration is within one year, the cash flows are not discounted. The discount rates used in the measurement of time value of money are determined with reference to information available at the end of each reporting period.

The Group uses information available at the end of each reporting period to derive the following assumptions used for measuring the reserve of long-term life insurance contracts:

- For insurance contracts whose future insurance benefits will not be affected by investment income of the corresponding investment portfolio, the discount rates are determined based on the market interest rate which is in line with the period and risk of liability of cash outflows. For insurance contracts whose future insurance benefits will be affected by investment income of the corresponding investment portfolio, the discount rates are determined based on expected investment return rates of the portfolios backing the liabilities.

- The Group reasonably estimates the insurance incident occurrence rate, lapse and surrender rate, expenses assumption and policy dividend assumption based on actual experience and expected future development trends.

When measuring insurance contract liabilities, the expected period of future net cash outflows is the entire insurance period. For insurance policies with a guaranteed renewal option, the expected period is extended to the date when the option to renew policy ceases if the probability that the policyholders may execute the option is high and the Group does not have the right to re-price the premium.

Unearned premium reserves

Unearned premium reserves for short-term insurance contracts represent the larger of a) portion of the premiums written net of certain acquisition costs relating to the unexpired terms of coverage and b) estimated future net cash outflows.

At inception of the insurance contracts, unearned premium reserves are measured based on premiums received less relevant acquisition costs. Subsequent to the initial recognition, unearned premium reserves are released on a 1/365 basis according to the insurance coverage period.

The risk margin of the unearned premium reserves is determined by reference to the industry ratio and the Group's experience.

IV. SIGNIFICANT ACCOUNTING POLICIES (continued)

19. Insurance contract liabilities (continued)

Claim reserves

Claim reserves are provided for insurance claims of short-term insurance contracts and include incurred and reported reserves, Incurred but not reported reserves ("IBNR") and claim expense reserves.

Incurred and reported reserves are measured at amounts not higher than the sum insured of the insurance contracts, using methods such as the case-by-case estimate method or average claim per case method, based on a reasonable estimate of ultimate claim amounts as well as margins.

IBNR are measured according to the nature and distribution of insurance risks, claims development, experience data, etc., using methods such as the chain ladder method, average claim per case method, expected loss ratio method, based on a reasonable estimate of ultimate claim amounts as well as margins.

Claim expense reserves are measured based on the best estimates of the future payments for claim expenses.

The risk margin of the claim reserves is determined by reference to the industry ratio and the Group's experience.

Liability adequacy test

The Group assesses the adequacy of insurance contract liabilities using the current estimate of future cash flow with available information at the end of each reporting period. If the insurance contract liabilities re-calculated with the insurance actuarial methods exceed their carrying amounts on the date of the liability adequacy test, an additional provision is made for the respective insurance contract liabilities based on the difference. Otherwise, no adjustment is made for the respective insurance contract liabilities.

IV. SIGNIFICANT ACCOUNTING POLICIES (continued)

19. Insurance contract liabilities (continued)

Investment contracts

Insurance policies that are not considered insurance contracts under IFRS 4 are classified as investment contracts. These policies do not contain significant insurance risk and are accounted for as follows:

- Premium receipts are recognized not as premium income, but rather as liabilities, presented as investment contract liabilities. For those non-life investment type policies without guaranteed benefits, the related contract liabilities are measured at fair value and the related transaction costs are recognized in the statement of profit or loss. For other investment contracts, the related liabilities are initially measured at fair value and subsequently measured at amortized cost. Commissions and other expenses incurred, net of receipts from initial charges that are meant to compensate such costs, are recognized as transaction costs in the initial amount of the liabilities.

- Charges including policy administration fees are recognized as other income during the period of service provided.

Universal life contracts

The individual universal life contracts of the Group contain significant insurance risks and are classified as insurance contracts. These policies also contain both insurance components and deposit components. The deposit components are unbundled from these hybrid insurance contracts. The rest of the contracts are accounted for as insurance contracts. Certain group universal life contracts of the Group that do not contain significant insurance risks are classified as investment contracts.

The group universal life contracts and the deposit component unbundled from the above individual universal life insurance contracts are accounted for as follows:

- Premium receipts are recognized not as premium income, but rather as liabilities, presented in investment contract liabilities. These liabilities are initially measured at fair value and subsequently measured at amortized cost. Commissions and other expenses incurred, net of receipts from initial charges that are meant to compensate such costs, are recognized as transaction costs in the initial amount of the liabilities.

- Fees from surrenders and other service charges are recognized in other income.

IV. SIGNIFICANT ACCOUNTING POLICIES (continued)

19. Insurance contract liabilities (continued)

Reinsurance

The Group cedes insurance risk in the normal course of business. Reinsurance agreements that transfer significant insurance risk are treated as reinsurance contracts; reinsurance agreements that do not transfer significant insurance risk are treated as financial assets. Reinsurance assets primarily represent balances due from reinsurance companies for ceded insurance liabilities. Amounts recoverable from reinsurers are estimated in a manner consistent with the reinsured risks and in accordance with the terms of the reinsurance contracts.

An impairment review is performed at each reporting date or more frequently when an indication of impairment arises during the reporting year. Impairment occurs when objective evidence exists that the Group may not recover outstanding amounts under the terms of the contract and when the impact on the amounts that the Group will receive from the reinsurer can be measured reliably. The impairment loss is recorded in the statement of profit or loss.

Ceded reinsurance arrangements do not relieve the Group from its obligations to policyholders. The Group also assumes reinsurance risk in the normal course of business. Premiums and claims on assumed reinsurance are recognized as income and expenses in the same manner as they would be if the reinsurance were considered direct business, taking into account the product classification of the reinsured business. Amounts payable to reinsurers are estimated in a manner consistent with that of the associated reinsurance contracts.

Premiums and claims are presented on a gross basis for both ceded and assumed reinsurance unless a legal right and the intention of offset exist. Reinsurance assets or liabilities are derecognized when the contractual rights are extinguished or expire or when the contract is transferred to another party.

IV. SIGNIFICANT ACCOUNTING POLICIES (continued)

20. Non-current assets held for sale and discontinued operations

The Group classifies non-current assets and disposal groups as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. Non-current assets and disposal groups held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Costs to sell are the incremental costs directly attributable to the disposal of an asset (disposal group), excluding finance costs and income tax expense.

The criteria for held for sale classification is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. Actions required to complete the sale should indicate that it is unlikely that significant changes to the sale will be made or that the decision to sell will be withdrawn. Management must be committed to the plan to sell the asset and the sale is expected to be completed within one year from the date of the classification.

Property, plant and equipment and intangible assets are not depreciated or amortized once held for sale.

Assets and liabilities held for sale are presented separately in the statement of financial position.

A disposal group qualifies as discontinued operation if it is a component of an entity that either has been disposed of, or is held for sale, and:

- Represents a separate major line of business or geographical area of operations

- Is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations

Or

- Is a subsidiary acquired exclusively with a view to resale

Discontinued operations are excluded from the results of continuing operations and are presented as a single amount as profit or loss after tax from discontinued operations in the statement of profit or loss.

IV. SIGNIFICANT ACCOUNTING POLICIES (continued)

21. Preference shares

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.

22. Revenue recognition

22.1 Income from distressed assets

Income from distressed assets is mainly generated from distressed debt assets included in financial assets at amortized cost and financial assets at fair value through profit or loss, equity instruments relating to distressed asset business included in financial assets at fair value through profit or loss and assets in satisfaction of debts.

Income from distressed debt assets includes interest income and gains or losses arising on distressed debt assets classified as financial assets at amortized cost, gains or losses from disposal of distressed debt assets at fair value through profit or loss and unrealized fair value changes on such assets, both of which are accounted for as fair value changes on distressed debt assets. Any interest income arising from distressed debt assets at fair value through profit or loss is also included in fair value changes of such assets. Income is also generated from the disposal of assets in satisfaction of debts. The accounting policy for interest income arising on distressed debt assets classified as financial assets at amortized cost is detailed in Note IV.22.5 Interest income and expense.

Income from equity instruments relating to distressed asset business classified as financial assets at fair value through profit or loss includes dividend income, Unrealized fair value changes and gains or losses from disposal of these instruments and are presented under fair value changes of other financial instruments. The accounting policy for dividend income is detailed in Note IV.22.7 Dividend income.

IV. SIGNIFICANT ACCOUNTING POLICIES (continued)

22. Revenue recognition (continued)

22.2 Commission and fee income

The Group earns commission and fee income from securities and futures brokerage business, securities underwriting business, fund and asset management business, consultancy and financial advisory business, trustee services business, banking business, agency business services etc. which the Group provides to the customers. For those services that are provided over a period of time, commission and fee income are accrued in accordance with the actual progress. For other services, commission and fee income are recognized when the transactions are completed.

22.3 Premium income

Premium income and reinsurance premium income are recognized when the insurance contracts are issued, related insurance risk is undertaken by the Group, it is probable that related economic benefits will flow to the Group and related income can be reliably measured.

Premiums from long-term life insurance contracts are recognized as revenue when due from the policyholders. Premiums from direct short-term insurance contracts are recognized as revenue based on the amount of total premium stated in the contracts.

Reinsurance premiums are recognized as revenue in accordance with the terms stated in the reinsurance contracts.

22.4 Revenue from sale of goods

Revenue from sale of goods of the Group is recognized when control of goods is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods.

When the contract contains a financing component which provides the customer or the Group a significant benefit of financing the transfer of goods to the customer, either explicitly or implicitly, the transaction price for such contracts is discounted to take into consideration the significant financing component.

Using the practical expedient in IFRS 15, the Group does not adjust the promised amount of consideration for the effects of a significant financing component if it expects, at contract inception, that the period between the transfer of the promised good or service to the customer and when the customer pays for that good or service will be one year or less.

IV. SIGNIFICANT ACCOUNTING POLICIES (continued)

22. Revenue recognition (continued)

22.5 Interest income and expense

Interest income and expense for all interest-bearing financial instruments, except for interest income from distressed debt assets, are recognized within "interest income" and "interest expense" in profit or loss using the effective interest method.

Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is recognized using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

22.6 Investment income

Investment income includes dividend income from the equity instruments at fair value through other comprehensive income, and gain/loss from disposal of financial assets other than financial assets at fair value through profit or loss, equity investment at fair value through other comprehensive income and distressed debt assets at amortized cost.

22.7 Dividend income

Dividend income from investments is recognized when the shareholders' rights to receive the payment has been established and is recognized provided that the amount can be measured reliably and it is probable that the associated economic benefits will flow to the Group.

22.8 Other income

Property rental income

The property rental income is recognized when the amount can be measured reliably and it is probable that the associated economic benefits will flow to the Group.

Property management fee

The Group earns property management fee income from property management services which the Group provides to the customers. For those services that are provided over a period of time, property management fee income is accrued in accordance with the actual progress. For other property management services, property management fee income is recognized when the services are completed.

IV. SIGNIFICANT ACCOUNTING POLICIES (continued)

23. Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

23.1 Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated statement of profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

23.2 Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognized for taxable temporary differences associated with interests in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

IV. SIGNIFICANT ACCOUNTING POLICIES (continued)

23. Taxation (continued)

23.2 Deferred tax (continued)

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.

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.

IV. SIGNIFICANT ACCOUNTING POLICIES (continued)

24. Leasing (effective on and after January 1, 2019)

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.

24.1 As Lessee

The lease term is the non-cancellable period of a lease for which the Group has the right to use an underlying asset. The Group has several lease contracts that include extension and termination options. The Group applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. The Group considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. The Group includes the renewal period as part of the lease term for leases when the renewal options are reasonably certain to be exercised. The renewal periods for leases with longer non-cancellable periods are not included as part of the lease term as these are not reasonably certain to be exercised. Furthermore, the periods covered by termination options are included as part of the lease term only when they are reasonably certain not to be exercised. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate.

The Group considers a lease that, at the commencement date of the lease, has a lease term of 12 months or less, and does not contain any purchase option as a short-term lease; and a lease for which the value of the individual underlying asset is relatively low when it is new as a lease of a low-value asset. The Group chooses not to recognize the right-of-use assets and lease liabilities for short-term leases and leases of 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.

IV. SIGNIFICANT ACCOUNTING POLICIES (continued)

24. Leasing (effective on and after January 1, 2019) (continued)

24.1 As Lessee (continued)

Right-of-use assets

The right-of-use assets of the Group mainly include buildings, machinery and equipment, vehicles and other right-of-use assets.

At the commencement date of the lease, the Group recognizes a right-of-use asset. The cost of the right-of-use asset comprises: (i) the amount of the initial measurement of the lease liability; (ii) any lease payments made at or before the commencement date of the lease less any lease incentives received; (iii) any initial direct cost incurred when the Group is a lessee; and (iv) an estimate of costs incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

The right-of-use assets are depreciated on a straight-line basis subsequently by the Group. If the Group is reasonably certain that the ownership of the underlying asset will be transferred to the Group at the end of the lease term, the Group depreciates the asset from the commencement date to the end of the useful life of the asset. Otherwise, the Group depreciates the asset from the commencement date to the end of the useful life of the asset or the end of the lease term, whichever is shorter. The right-of-use assets are also subject to impairment assessment, which is detailed in Note IV.15 Impairment losses on tangible and intangible assets other than goodwill.

The Group remeasures the lease liability at the present value of the changed lease payments and adjusts the carrying amount of the right-of-use assets accordingly, when the carrying amount of the right-of-use asset is reduced to zero, and there is a further reduction in the measurement of the lease liability, the Group recognizes the remaining amount of the remeasurement in profit or loss.

IV. SIGNIFICANT ACCOUNTING POLICIES (continued)

24. Leasing (effective on and after January 1, 2019) (continued)

24.1 As Lessee (continued)

Lease liability

At the commencement date of the lease, the Group measures the lease liability at the present value of the lease payments that are not paid at that date, except for short-term leases and leases of low-value assets.

In calculating the present value of the lease payments, the Group uses the incremental borrowing rate of lessee as the discount rate. The Group calculates the interest expenses of the lease liability in each period during the lease term using the constant periodic rate of interest, and recognizes such interest expenses in profit or loss. Variable lease payments that are not included in the measurement of the lease liabilities are recognized in profit or loss as incurred.

After the commencement date, the Group remeasures the lease liability by discounting the revised lease payments using a revised discount rate if either: (i) there is a change in the amounts expected to be payable under a residual value guarantee; (ii) there is a change in future lease payments resulting from a change in an index or a rate used to determine those payments; or (iii) there is a change in the assessment of an option to purchase, extend or terminate the underlying asset, assessed in the context of a purchase option.

Lease modification

Lease modification is a change in the scope of a lease, the consideration for a lease or lease term, that was not part of the original terms and conditions of the lease. For example, adding or terminating the right to use one or more underlying assets, or extending or shortening the contractual lease term.

The Group accounts for a lease modification as a separate lease if both: (i) the modification increases the scope of the lease by adding the right to use one or more underlying assets; and (ii) the consideration for the lease increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, at the effective date of the lease modification the Group remeasures the lease liability by discounting the revised lease payments using a revised discount rate.

IV. SIGNIFICANT ACCOUNTING POLICIES (continued)

24. Leasing (effective on and after January 1, 2019) (continued)

24.2 As Lessor

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset, except that a lease is classified as an operating lease at the inception date.

When the Group is a lessor under finance leases, the Group recognizes the receivable as the sum of the minimum lease payment receivable and initial direct costs at the commencement date, and records the unguaranteed residual value. The difference between the aggregation, which consists of the receivable and the unguaranteed residual value, and the sum of the present value is recognized as unearned finance income. The Group uses the effective interest method to recognize the current finance income. In the initial measurement of the finance lease receivable, the Group recognizes the net investment of the lease as the book value. The net investment in a lease is the sum of the unguaranteed residual value and the present value of the unreceived minimum lease payment receivable at the commencement date, which is discounted by the interest rate implicit in the lease. The Group calculates and recognizes the interest income in each period during the lease term using the constant periodic rate of interest, and recognizes such interest expenses in profit or loss. Variable lease payments that are not measured as part of the net investment in the lease are recognized in profit or loss as incurred.

When the Group is a lessor under operating leases, the Group still reflects the underlying assets as the Group's assets. The rent income is amortized on a straight-line basis in each period of the lease term and recognized in profit or loss. Variable lease payments that are not measured as part of the receivable in the lease are recognized in profit or loss as incurred.

25. Fiduciary activities

The Group's fiduciary activities mainly include trust and asset custody services.

The trust service of the Group refers to the business that the Group acts as trustee to undertake investment activity within the agreed period and scope on behalf of the third-party lenders who provide the fund.

The Group is responsible for the arrangement and collection of the entrusted loans and receives a commission for the services rendered. As the Group does not assume the risks and rewards of the entrusted loans and the funding for the corresponding entrusted funds, they are not recognized as assets and liabilities of the Group.

IV. SIGNIFICANT ACCOUNTING POLICIES (continued)

26. Employee benefits

In the reporting period in which an employee has rendered services, the Group recognizes the employee benefits payable for those services as a liability.

Social welfare

Social welfare expenditure refers to payments for employees' social welfare system established by the PRC government, including social insurance, housing funds and other social welfare contributions. The Group contributes on a monthly basis to these funds based on certain percentage of the salaries of the employees and the contributions are recognized in profit or loss for the period in which they are incurred. The Group's liabilities in respect of these funds are limited to the contribution payable in the reporting period.

Annuity scheme

The employees of the Group participate in Annuity scheme set up by the Company (the "Annuity scheme"). The Group made annuity contributions with reference to employees' salaries of last year, and the contributions are expensed in profit or loss when incurred. The Group has no further obligation even if the Annuity scheme does not have sufficient assets for payment of supplementary retirement benefits to employees.

Defined benefit plans

The Group's subsidiary Nanyang Commercial Bank, Limited (the "NCB") operates a defined benefit plan for all its retired employees.

Under the plan, the employees are entitled to retirement benefits which included fully redeemed medical care, housing allowance and other retirement benefits.

The liability related to the above post-retirement benefit obligations existing at the end of each reporting period is calculated by independent actuaries using the projected unit credit method and is recorded as a liability. The present value of the liability is determined through discounting the estimated future cash outflows using interest rates of RMB treasury bonds which have terms to maturity approximating the terms of the related liability. The actuarial gains or losses of post-retirement benefit obligations are recognized in "other comprehensive income" immediately when they occur. Except for the actuarial changes, other changes are recognized in profit or loss for the period immediately when they occur.

IV. SIGNIFICANT ACCOUNTING POLICIES (continued)

27. Government grants

Government grants are not recognized until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognized in profit or loss on a systematic basis over the periods in which the Group recognizes as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognized as deferred income in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognized in profit or loss in the period in which they become receivable.

V. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION

The following are the critical judgements and key estimation uncertainties that the management has made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognized in the consolidated financial statements and/or in the next financial year in 2019.

1. Classification of financial assets

The Group's critical judgements on determining the classification of financial assets include business model and analysis of contractual cash flow characteristics. The Group's assessment of the business model is performed on a financial assets portfolio basis, taking into consideration of how to generate cash flows of the assets in the past, how the performance of the financial assets are evaluated and reported to the Group's key management personnel, how the risks are evaluated and managed, and how managers of 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.

V. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION (continued)

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.

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 model, 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.

V. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION (continued)

5. Measurement method of insurance contract reserve

At the end of each reporting period, the Group needs to make reasonable estimations on the future cash layout for carrying out insurance contract obligations, such estimations are based on current available information obtainable at the end of each reporting period, and determined by taking into account all different circumstances and relevant probability calculation. The Group makes estimations on the assumptions in the measurement of the insurance contract reserves, which are determined based on the current information available at the end of each reporting period.

6. 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.

7. 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.

8. 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.

V. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION (continued)

9. 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.

10. 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.

11. Impairment of goodwill

Goodwill is tested for impairment annually or more frequently. This requires an estimate of the present value of future cash flows for the asset group or portfolio of assets allocated to goodwill. When estimating the present value of future cash flows, the Group needs to anticipate future cash flows from the asset group or portfolio of assets, and select the appropriate discount rate to determine the present value of future cash flows.

12. Determining the lease term of contracts with renewal and termination options

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised. By considering all relevant factors that create an economic incentive,the Group applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate.

V. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION (continued)

13. Leases – Estimating the incremental borrowing rate

The Group uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The Group estimates the IBR using observable inputs when available and is required to make certain entity-specific estimates to reflect the terms and conditions of the lease.

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, 2019, the net loss on the derecognition of distressed debt assets at amortized cost was RMB1,991 million (For the year ended December 31, 2018, the net gain was RMB166 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.

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

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, 2019 and 2018, the fair value changes on financial liabilities at fair value through profit or loss were insignificant.

	Year ended December 31	
	2019	2018
Financial instruments at fair value through profit or loss	**14,840,082**	16,084,956
Total	**14,840,082**	16,084,956

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

4. Investment income

	Year ended December 31	
	2019	2018
Net realized gain from disposal of		
– Financial assets at fair value through other comprehensive income	**232,019**	62,918
– Loans and advances to customers at amortized cost	**149,338**	–
– Other debt assets (1)	**73,253**	32,945
Dividend income from		
– Financial assets at fair value through other comprehensive income	**9,916**	12,155
Others	**(37)**	44,880
Total	**464,489**	152,898

(1) For the year ended December 31, 2019, all the net gains recognized from derecognition of other debt assets at amortized cost are resulting from disposing agreed repurchase trading receivables. (For the year ended December 31, 2018, all the net gains recognized from derecognition of other debt assets at amortized cost are resulting from disposing collaterals of debt.)

(Amounts in thousands of RMB, unless otherwise stated)

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	
	2019	2018
Loans and advances to customers		
– Corporate and personal loans and advances	**13,968,075**	13,584,025
– Finance lease receivables	**2,668,779**	2,795,319
– Loans to margin clients	**477,482**	537,123
Financial assets at fair value through other comprehensive income	**3,219,886**	2,792,680
Other debt investments at amortized cost	**2,353,062**	1,427,495
Deposits with banks and financial institutions	**952,399**	1,007,775
Placements with banks and financial institutions	**816,906**	1,081,370
Financial assets held under resale agreements	**670,706**	1,532,966
Others	**274,331**	246,946
Total	**25,401,626**	25,005,699

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

6. Revenue from sales of inventories and purchases and changes in inventories

	Year ended December 31	
	2019	2018
Revenue from sales of inventories	**18,169,404**	17,446,425
Purchases and changes in inventories	**(12,868,770)**	(11,382,225)
Including:		
Revenue from sales of properties held for sale	**18,155,303**	17,438,487
Purchases and changes in properties held for sale	**(12,855,288)**	(11,376,575)
Gross profit from sales of properties	**5,300,015**	6,061,912
Revenue from other trading operations	**14,101**	7,938
Purchases and changes in inventories of other trading operations	**(13,482)**	(5,650)
Gross profit from other trading operations	**619**	2,288

Recognition time of revenue from sales of properties held for sale

	Year ended December 31	
	2019	2018
Recognized revenue at a point in time		
Sales of properties held for sale	**18,155,303**	17,438,487

The transaction price allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 December are, as follows:

	Year ended December 31	
	2019	2018
Within one year	**19,837,139**	20,494,994
More than one year	**3,253,016**	3,870,035
Total	**23,090,155**	24,365,029

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

7. Commission and fee income

	Year ended December 31	
	2019	2018
Banking business	**1,053,541**	993,197
Securities and futures brokerage	**953,384**	811,153
Fund and asset management business	**662,337**	870,981
Agency business	**303,234**	363,092
Trustee services	**223,313**	342,965
Consultancy and financial advisory	**190,187**	157,819
Securities underwriting	**107,928**	65,833
Others	**42,634**	44,782
Total	**3,536,558**	3,649,822

8. Net gains on disposal of subsidiaries, associates and joint ventures

	Year ended December 31	
	2019	2018
Net gains on disposal of subsidiaries	**97,122**	(32)
Net gains on disposal of associates and joint ventures	**784,482**	1,550,939
Total	**881,604**	1,550,907

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

9. Other income and other net gains or losses

	Year ended December 31	
	2019	2018
Net gains on exchange differences	**839,648**	1,148,936
Rental income	**815,654**	472,745
Revenue from hotel operation	**401,199**	471,902
Revenue from property management business	**286,499**	265,164
Government grants and compensation (1)	**188,893**	190,270
Revenue from project supervision	**122,705**	262,198
Net gains on disposal of other assets	**97,771**	175,912
Others	**51,843**	465,771
Total	**2,804,212**	3,452,898

(1) For the year ended December 31, 2019, the government grant and compensation from operating activities, as part of other income and other net gains or losses, amounted to RMB170.31 million.

10. Interest expense

	Year ended December 31	
	2019	2018
Borrowings		
– Wholly repayable within five years	**(24,227,058)**	(28,822,304)
– Not wholly repayable within five years	**(1,895,185)**	(1,670,423)
Bonds issued	**(12,046,251)**	(10,838,283)
Due to customers	**(4,955,494)**	(3,431,290)
Deposits from banks and financial institutions	**(662,126)**	(946,641)
Placements from banks and financial institutions	**(218,188)**	(242,729)
Financial assets sold under repurchase agreements	**(191,900)**	(210,714)
Accounts payable to brokerage clients	**(45,212)**	(37,362)
Lease liabilities	**(43,732)**	–
Others	**(81,407)**	(86,749)
Total	**(44,366,553)**	(46,286,495)

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

11. Employee benefits

	Year ended December 31	
	2019	2018
Wages or salaries, bonuses, allowances and subsidies	**(4,637,647)**	(4,159,077)
Defined contribution plans	**(477,259)**	(462,302)
Social insurance	**(273,801)**	(240,390)
Housing funds	**(185,529)**	(190,540)
Labour union fees and staff education expenses	**(131,238)**	(125,556)
Defined benefit plans	**(4,611)**	(3,860)
Others	**(291,855)**	(188,794)
Total	**(6,001,940)**	(5,370,519)

12. Commission and fee expense

	Year ended December 31	
	2019	2018
Securities and futures brokerage	**(345,044)**	(248,054)
Asset management business	**(239,119)**	(255,374)
Others	**(135,417)**	(346,816)
Total	**(719,580)**	(850,244)

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

13. Impairment losses on assets

	Year ended December 31	
	2019	2018
Allowances of impairment losses on assets		
Financial assets at amortized cost		
– Distressed debt assets	**(3,544,082)**	(4,380,136)
– Other debt investments	**(328,260)**	(370,298)
Loans and advances to customers	**(2,084,043)**	(2,075,415)
Interests in associates and joint ventures	**(1,858,375)**	(3,126)
Financial assets held under resale agreements	**(521,947)**	11,601
Properties held for sale	**(433,819)**	(6,356)
Accounts receivable	**115,494**	(949,968)
Property and equipment	**(75,367)**	–
Deposits with banks and financial institutions	**(61,668)**	(1,335)
Goodwill	**(4,282)**	(9,763)
Other assets	**(127,884)**	(371,382)
Total	**(8,924,233)**	(8,156,178)

14. Profit before tax

	Year ended December 31	
	2019	2018
Profit before tax for the year has been arrived at after charging:		
Depreciation of property and equipment	**(559,797)**	(461,851)
Depreciation of right-of-use assets	**(463,665)**	–
Amortization	**(344,540)**	(309,952)
Depreciation of investment properties	**(190,671)**	(167,955)
Operating lease expenses	**(93,109)**	(481,606)

Principal auditors' remuneration for the year ended December 31, 2019 was RMB41.95 million (2018: RMB39.60 million).

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

15. Income tax expense

	Year ended December 31	
	2019	2018
Current income tax:		
– PRC Enterprise Income Tax	**(5,021,262)**	(6,529,218)
– PRC Land Appreciation Tax ("LAT")	**(1,023,527)**	(1,851,627)
– Hong Kong Profits Tax	**(463,137)**	(465,056)
– Overseas taxation	**(151)**	(400)
Overprovision in prior years	**116,055**	98,103
Subtotal	**(6,392,022)**	(8,748,198)
Deferred income tax (Note VI.42)	**637,400**	1,796,313
Total	**(5,754,622)**	(6,951,885)

The statutory income tax rate applicable to PRC enterprises is 25% for the year (2018: 25%). A subsidiary of the Company set up in the Western Region (as defined in Note VI.72.1 Credit Risk) of the PRC is taxed at 15% (2018: 15%) subject to an annual special approval by the tax bureau.

Hong Kong Profits Tax is calculated at 16.5% (2018: 16.5%) of the estimated assessable profit for the year.

(Amounts in thousands of RMB, unless otherwise stated)

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	
	2019	2018
Profit before tax from continuing operations	**19,272,440**	22,697,843
Profit before tax from a discontinued operation	**273,224**	(3,909,297)
Profit before tax	**19,545,664**	18,788,546
Income tax calculated at the tax rate of 25%	**(4,886,416)**	(4,697,137)
Tax effect of a discontinued operation	**1,200,107**	–
Effect of tax losses and deductible temporary differences not recognized	**(1,175,654)**	(1,534,815)
LAT	**(1,023,527)**	(1,851,627)
Tax effect of LAT	**255,882**	462,907
Tax effect of income not taxable for tax purpose (1)	**412,590**	493,858
Effect of different tax rates of subsidiaries	**398,718**	304,900
Tax effect of share of results of associates and joint ventures	**277,740**	182,733
Tax effect of expenses not deductible for tax purpose (2)	**(227,048)**	(500,483)
Overprovision in prior years	**116,055**	98,103
Adjustment in respect of cost and distribution payment for additional equity instruments	**68,293**	65,656
Effect of utilization of tax losses not previously recognized	**55,813**	67,268
Income tax expense	**(4,527,447)**	(6,908,637)
Income tax expense attributable to continuing operations	**(5,754,622)**	(6,951,885)
Income tax credit attributable to a discontinued operation (3)	**1,227,175**	43,248

(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.

(3) In 2019, Happy Life was classified as held for sale, and the Group recognized deferred tax asset of approximately RMB1.2 billion due to deductible temporary difference resulted from cumulative losses of Happy Life.

(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	
	2019	2018
Earnings:		
Profit attributable to ordinary equity holders of the parent:	**13,052,946**	12,036,131
Continuing operations	**11,821,754**	14,102,659
Discontinued operation	**1,231,192**	(2,066,528)
Profit attributable to equity holders of the Company	**13,052,946**	12,036,131
Less: Dividends on preference shares declared and distributed	**1,120,767**	1,077,050
Profit attributable to ordinary shareholders of the Company	**11,932,179**	10,959,081
Profit attributable to ordinary shareholders of the Company from continuing operations	**10,700,987**	13,025,609
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)	**0.31**	0.29
Diluted earnings per share (RMB Yuan)	**0.31**	0.29
Basic earnings per share from continuing operations (RMB Yuan)	**0.28**	0.34
Diluted earnings per share from continuing operations (RMB Yuan)	**0.28**	0.34

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

17. Dividends

	Year ended December 31	
	2019	2018
Final dividend of 2018	**3,625,631**	–
Final dividend of 2017	**–**	5,419,364
Dividends recognized as distribution during the period	**3,625,631**	5,419,364

The resolution on the profit distribution plan for 2018 was duly approved by the shareholders at the Annual General Meeting held on June 25, 2019. In accordance with the plan, the dividend of RMB3,625.63 million was distributed during the year.

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

18. Emoluments of directors and supervisors

	Year ended December 31, 2019			
	Fees	Paid remuneration	All kinds of social insurance, housing funds and annuity schemes	Total (before tax)
Executive directors				
ZHANG Zi'ai	–	579	149	728
CHEN Xiaozhou (1)	–	483	121	604
ZHANG Weidong (2)	–	75	24	99
Non-executive directors				
HE Jieping (3)	–	–	–	–
XU Long (3)	–	–	–	–
YUAN Hong (3)	–	–	–	–
ZHANG Guoqing (3)	–	–	–	–
LIU Chong (3)	–	–	–	–
Independent non-executive directors				
CHANG Tso Tung, Stephen (4)	220	–	–	220
XU Dingbo (5)	208	–	–	208
ZHU Wuxiang	250	–	–	250
SUN Baowen	250	–	–	250
LU Zhengfei (6)	63	–	–	63
LAM Chi Kuen (7)	32	–	–	32
Supervisors				
GONG Jiande	–	579	145	724
LIU Yanfen	200	–	–	200
LI Chun	200	–	–	200
ZHANG Zheng	200	–	–	200
GONG Hongbing (12)	20	–	–	20
LIN Dongyuan (8)(12)	13	–	–	13
JIA Xiuhua (9)(12)	13	–	–	13
LU Baoxing (10)(12)	7	–	–	7
YUAN Liangming (11)(12)	7	–	–	7
Total	1,683	1,716	439	3,838

VI. EXPLANATORY NOTES (continued)

18. Emoluments of directors and supervisors (continued)

(1) Chen Xiaozhou ceased to be the President and executive director in October 2019, and his emoluments disclosed above include those for services rendered by him as the President and executive director during the year.

(2) Zhang Weidong was appointed as the proposed president by the Board in October 2019, and his qualification was approved by the CBIRC in January 2020. Zhang Weidong was nominated as the executive director by the Board in October 2019, which was approved by the second extraordinary general meeting in December 2019, and his qualification was approved by the CBIRC in January 2020.

(3) These non-executive directors did not receive any fees from the Company.

(4) Chang Tso Tung, Stephen ceased to be the independent non-executive director in November 2019.

(5) Xu Dingbo ceased to be the independent non-executive director in September 2019.

(6) Lu Zhengfei was elected as the independent non-executive director in September 2019.

(7) Lam Chi Kuen was elected as the independent non-executive director in November 2019.

(8) Lin Dongyuan ceased to be the supervisor in August 2019.

(9) Jia Xiuhua ceased to be the supervisor in August 2019.

(10) Lu Baoxing was elected as the supervisor in August 2019.

(11) Yuan Liangming was elected as the supervisor in August 2019.

(12) The amounts only included fees for their services as employee representative supervisors.

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

18. Emoluments of directors and supervisors (continued)

	Year ended December 31, 2018			
	Fees	Paid remuneration	All kinds of social insurance, housing funds and annuity schemes	Total (before tax)
Executive directors				
HOU Jianhang (1)	–	466	122	588
ZHANG Zi'ai (2)	–	408	114	522
CHEN Xiaozhou	–	701	182	883
Non-executive directors				
LI Honghui (3)(4)	–	–	–	–
SONG Lizhong (3)(5)	–	–	–	–
XIAO Yuping (3)(6)	–	–	–	–
HE Jieping (3)(7)	–	–	–	–
XU Long (3)(8)	–	–	–	–
YUAN Hong (3)	–	–	–	–
ZHANG Guoqing (3)	–	–	–	–
LIU Chong (3)	–	–	–	–
Independent non-executive directors				
CHANG Tso Tung, Stephen	250	–	–	250
XU Dingbo	250	–	–	250
ZHU Wuxiang	250	–	–	250
SUN Baowen	250	–	–	250
Supervisors				
GONG Jiande	–	701	182	883
LIU Yanfen	200	–	–	200
LI Chun	200	–	–	200
ZHANG Zheng	200	–	–	200
GONG Hongbing (9)	20	–	–	20
LIN Dongyuan (9)	20	–	–	20
JIA Xiuhua (9)	20	–	–	20
Total	1,660	2,276	600	4,536

VI. EXPLANATORY NOTES (continued)

18. Emoluments of directors and supervisors (continued)

(1) Hou Jianhang ceased to be the Chairman of the Board and executive director in August 2018, and his emoluments disclosed above include those for services rendered by him as the Chairman of the Board and executive director during the year.

(2) Zhang Zi'ai was elected as the Chairman of the Board and executive director in August 2018, and his emoluments disclosed above include those for services rendered by him as the Chairman of the Board and executive director during the year.

(3) These non-executive directors did not receive any fees from the Company.

(4) Li Honghui ceased to be the non-executive director in July 2018.

(5) Song Lizhong ceased to be the non-executive director in July 2018.

(6) Xiao Yuping ceased to be the non-executive director in July 2018.

(7) He Jieping was elected as the non-executive director in July 2018.

(8) Xu Long was elected as the non-executive director in July 2018.

(9) 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, 2019 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, 2018 have not yet been approved by the Annual General Meeting. The final compensation will be disclosed in a separate announcement after approval.

During the year, no emolument was paid by the Group to any of the directors, supervisors, key management personnel or the five highest paid individuals as set out in Note VI.19 Key management personnel and five highest paid individuals below as an inducement to join or upon joining the Group or as a compensation for loss of office. None of them waived any emoluments during the year. Bonus was determined based on the performance of individuals by the Group on a discretionary basis.

(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	
	2019	2018
Emoluments of key management personnel		
Paid emoluments	**9,528**	8,946
All kinds of social insurance, housing funds and annuity schemes	**1,003**	1,167
Total (before tax)	**10,531**	10,113

The number of key management personnel with emoluments within the following bands is as follows:

	Year ended December 31	
	2019	2018
RMB100,001 to RMB500,000	**1**	1
RMB500,001 to RMB1,000,000	**5**	2
RMB1,000,001 to RMB1,500,000	**1**	–
RMB1,500,001 to RMB2,000,000	**–**	4
RMB2,000,001 to RMB2,500,000	**1**	–
RMB2,500,001 to RMB3,000,000	**–**	–
RMB3,000,001 to RMB3,500,000	**1**	–
Total	**9**	7

(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, 2019 were as follows:

	Year ended December 31	
	2019	2018
Remuneration	**17,302**	15,820
All kinds of social insurance, housing funds and annuity schemes	**1,082**	1,697
Total (before tax)	**18,384**	17,517

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	
	2019	2018
RMB3,000,001 to RMB3,500,000	**2**	4
RMB3,500,001 to RMB4,000,000	**3**	–
RMB4,000,001 to RMB4,500,000	**–**	–
RMB4,500,001 to RMB5,000,000	**–**	1
Total	**5**	5

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

20. Statement of financial position

	Notes VI	As at December 31 2019	2018
Assets			
Cash and balances with central banks	21	**2,798**	2,892
Deposits with banks and financial institutions	22	**12,018,928**	11,466,189
Financial assets at fair value through profit or loss	25	**323,508,433**	312,663,768
Financial assets held under resale agreements	26	**10,479,747**	21,091,389
Financial assets at fair value through other comprehensive income	27	**4,199,647**	3,379,133
Financial assets at amortized cost	29	**187,365,891**	216,392,215
Accounts receivable	30	**552,805**	535,573
Amounts due from subsidiaries	31	**43,596,732**	36,794,063
Investment properties	33	**295,963**	312,414
Interests in subsidiaries	34	**39,484,717**	50,415,410
Interests in consolidated structured entities	36	**35,124,121**	36,849,179
Interests in associates and joint ventures	37	**48,497,327**	47,507,801
Property and equipment	39	**1,113,793**	1,183,930
Other intangible assets	41	**25,332**	32,018
Deferred tax assets	42	**2,722,196**	2,416,834
Assets held for sale		**7,449,679**	–
Other assets	43	**12,596,788**	9,859,046
Total assets		**729,034,897**	750,901,854

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (Continued)

20. Statement of financial position (Continued)

	Notes VI	As at December 31 2019	2018
Liabilities			
Borrowings from central bank	44	**986,058**	986,058
Financial liabilities at fair value through profit or loss	46	**717,977**	739,392
Borrowings	49	**426,086,925**	456,462,235
Accounts payable	52	**–**	168,760
Tax payable	54	**38,503**	1,700,450
Bonds issued	56	**154,916,816**	145,255,843
Other liabilities	58	**10,162,315**	10,965,545
Total liabilities		**592,908,594**	616,278,283
Equity			
Share capital	59	**38,164,535**	38,164,535
Other equity instruments	60	**21,281,215**	21,281,215
Capital reserve	61	**19,008,206**	20,025,375
Other comprehensive income	62	**(106,328)**	(849,991)
Surplus reserve	63	**8,499,569**	7,847,305
General reserve	64	**10,629,877**	10,080,764
Retained earnings	65	**38,649,229**	38,074,368
Total equity		**136,126,303**	134,623,571
Total equity and liabilities		**729,034,897**	750,901,854

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

CHAIRMAN

PRESIDENT

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

21. Cash and balances with central banks

Group

	As at December 31	
	2019	2018
Cash	**577,491**	540,490
Mandatory reserve deposits with central banks (1)	**8,932,048**	10,045,805
Surplus reserve deposits with central banks	**5,318,432**	4,322,828
Other deposits with central banks	**4,174,080**	1,742,788
Total	**19,002,051**	16,651,911
Including:		
Restricted		
– Balances with central banks	**8,964,522**	10,243,576

Company

	As at December 31	
	2019	2018
Cash	**399**	511
Other deposits with central banks	**2,399**	2,381
Total	**2,798**	2,892

(1) In accordance with relevant regulations, NCB, 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, 2019, the mandatory deposits were calculated at 10.5% (As at December 31, 2018: 12.5%) of customer deposits denominated in RMB and 5% (As at December 31, 2018: 5%) of customer deposits denominated in foreign currencies. Mandatory reserve deposits are not available for use by the Group in its daily operations.

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

22. Deposits with banks and financial institutions

Group

	As at December 31	
	2019	2018
Deposits with banks		
– House accounts	**55,937,328**	68,434,427
– Cash held on behalf of clients	**11,414,878**	7,907,350
Clearing settlement funds		
– House accounts	**559,594**	694,075
– Clients	**2,154,836**	2,177,804
Deposits with other financial institutions		
– House accounts	**688,204**	702,227
Interest receivable	**146,626**	188,864
Subtotal	**70,901,466**	80,104,747
Less: Allowance for impairment losses	**63,873**	2,165
Total	**70,837,593**	80,102,582
Including:		
Restricted funds	**21,566,732**	30,286,755

(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	
	2019	2018
Deposits with banks	**12,014,605**	11,452,665
Interest receivable	**4,323**	13,524
Subtotal	**12,018,928**	11,466,189
Less: Allowance for impairment losses	**–**	–
Total	**12,018,928**	11,466,189

Pledged bank deposits represent deposits that have been pledged to secure bank borrowings. As at December 31, 2019, the Group's pledged bank deposits amounted to RMB1,193.00 million (As at December 31, 2018: RMB630.10 million).

The Group's clearing settlement funds were interest-bearing at prevailing market interest rates and mainly deposited in the China Securities Depository and Clearing Corporation Limited. As at December 31, 2019, the Group's restricted clearing settlement funds amounted to RMB2,154.84 million (As at December 31, 2018: RMB2,177.80 million).

As at December 31, 2019, the Group's deposits with banks and financial institutions in Stage I, II and III amounted to RMB70,838.20 million, nil and RMB63.27 million, respectively (December 31, 2018: RMB80,104.75 million, nil and nil, respectively). The allowance for impairment losses amounted to RMB0.60 million, nil and RMB63.27 million, respectively (December 31, 2018: RMB2.17 million, nil and nil, respectively).

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

23. Deposits with exchanges and others

Group

	As at December 31	
	2019	2018
Shanghai Stock Exchange	**48,796**	50,061
Shenzhen Stock Exchange	**26,620**	19,678
The Stock Exchange of Hong Kong Limited	**3,550**	3,860
National Equities Exchange and Quotations	**636**	1,004
Hong Kong Securities Clearing Company Limited	**399**	532
China Securities Finance Corporation Limited	**1,042**	1,024
Shanghai Futures Exchange	**463,366**	291,965
China Financial Futures Exchange	**219,240**	138,649
Dalian Commodity Exchange	**372,643**	272,425
Zhengzhou Commodity Exchange	**143,217**	134,961
Shanghai International Energy Exchange	**10,158**	1,756
The SEHK Options Clearing House Limited	**–**	1,314
Others	**33,692**	50,470
Total	**1,323,359**	967,699

The Company had no deposits with any exchanges or financial institutions at the end of 2019 and 2018.

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

24. Placements with banks and financial institutions

Group

	As at December 31	
	2019	2018
Banks	**11,106,600**	16,926,311
Other financial institutions	**100,000**	1,530,000
Interest receivable	**32,862**	25,287
Subtotal	**11,239,462**	18,481,598
Less: Allowance for impairment losses	**87,162**	11,101
Total	**11,152,300**	18,470,497

As at December 31, 2019, the Group's placements with banks and financial institutions in Stage I, II and III amounted to RMB11,153.75 million, nil and RMB85.71 million, respectively (December 31, 2018: RMB18,481.60 million, nil and nil, respectively). The allowance for impairment losses amounted to RMB1.45 million, nil and RMB85.71 million, respectively (December 31, 2018: RMB11.10 million, nil and nil, respectively).

As at December 31, 2019 and December 31, 2018, the Company had no placements with banks and financial institutions.

(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	
	2019	2018
Financial assets classified as at fair value through profit or loss		
Listed investments:		
Equity investments	**9,565,812**	9,262,107
Debt securities		
– Government bonds	**5,968,207**	4,826,641
– Public sector and quasi-government bonds	**1,044**	280,475
– Corporate bonds	**4,521,715**	5,484,535
Funds	**2,071,045**	2,694,955
Corporate convertible bonds	**55,579**	107,788
	22,183,402	22,656,501
Unlisted investments:		
Distressed debt assets	**197,621,332**	189,113,890
Funds	**89,143,751**	101,548,345
Equity investments	**55,791,190**	56,426,584
Debt instruments	**28,148,647**	17,458,309
Trust products and asset management plans	**15,459,780**	35,776,180
Security investments	**1,642,858**	2,044,751
Wealth management products	**1,475,898**	3,072,818
Derivative financial assets (1)	**619,316**	620,429
Others	**78,409**	73,229
	389,981,181	406,134,535
Total	**412,164,583**	428,791,036

(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, 2019			As at December 31, 2018		
	Contractual/ Notional amount	Fair value Assets	Fair value Liabilities	Contractual/ Notional amount	Fair value Assets	Fair value Liabilities
Exchange rate derivatives						
Currency forwards and swaps, and cross-currency interest rate swaps	**43,518,087**	**477,815**	**(404,521)**	30,659,252	553,874	(268,965)
Currency options	**693,389**	**6,080**	**(6,081)**	2,472,512	21,842	(22,068)
Subtotal	**44,211,476**	**483,895**	**(410,602)**	33,131,764	575,716	(291,033)
Interest rate derivatives						
Interest rate swaps	**116,508,057**	**27,365**	**(131,429)**	48,008,610	18,904	(19,103)
Interest rate futures	**–**	**–**	**–**	99,542	–	–
Subtotal	**116,508,057**	**27,365**	**(131,429)**	48,108,152	18,904	(19,103)
Equity derivatives	**488,509**	**26,288**	**–**	73,413	2,679	–
Commodity derivatives and others	**1,255,240**	**81,768**	**(826)**	513,255	23,130	(4,582)
Total	**162,463,282**	**619,316**	**(542,857)**	81,826,584	620,429	(314,718)

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

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

Company

	As at December 31	
	2019	2018
Financial assets classified as at fair value through profit or loss		
Distressed debt assets	**198,146,517**	189,458,426
Funds	**55,470,435**	62,986,962
Equity investments	**33,758,192**	30,375,503
Debt instruments	**27,224,738**	16,352,022
Trust products and asset management plans	**8,097,423**	12,287,606
Security investments	**811,128**	1,203,249
Total	**323,508,433**	312,663,768
Analyzed as:		
Listed	**7,463,951**	6,825,021
Unlisted	**316,044,482**	305,838,747

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

26. Financial assets held under resale agreements

Group

	As at December 31	
	2019	2018
By collateral type:		
Bonds	**11,886,129**	31,371,483
Stocks	**1,722,173**	2,397,079
Interest receivable	**14,837**	50,468
Subtotal	**13,623,139**	33,819,030
Less: Allowance for impairment losses	**410,685**	13,966
Total	**13,212,454**	33,805,064

Company

	As at December 31	
	2019	2018
By collateral type:		
Bonds	**10,477,409**	21,073,824
Interest receivable	**2,575**	19,461
Subtotal	**10,479,984**	21,093,285
Less: Allowance for impairment losses	**237**	1,896
Total	**10,479,747**	21,091,389

As at December 31, 2019, the Group's assets held under resale agreements in Stage I, II and III amounted to RMB12,613.92 million, RMB344.55 million, 664.67 million, respectively (As at December 31, 2018: RMB33,819.03 million, nil, nil, respectively). The allowance for impairment losses amounted to RMB1.18 million, RMB44.13 million and RMB365.38 million, respectively (As at December 31, 2018: RMB13.97 million, nil, nil, respectively).

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

27. Financial assets at fair value through other comprehensive income

Group

	As at December 31	
	2019	2018
Debt investments at fair value through other comprehensive income		
Debt securities		
– Government bonds	**54,394,469**	40,803,900
– Public sector and quasi-government bonds	**4,948,670**	12,286,782
– Financial institution bonds	**48,552,354**	41,043,939
– Corporate bonds	**23,483,657**	18,014,096
Interest receivable	**1,196,252**	1,271,835
Subtotal	**132,575,402**	113,420,552
Equity investments designated as at fair value through other comprehensive income		
Equity instruments	**4,227,563**	3,407,026
Subtotal	**4,227,563**	3,407,026
Total	**136,802,965**	116,827,578

As at December 31, 2019, the Group's debt investments at fair value through other comprehensive income in Stage I, II and III amounted to RMB132,013.38 million, nil, RMB160.44 million, respectively (As at December 31, 2018: RMB113,000.86 million, nil, and RMB198.57 million, respectively). The allowance for impairment losses amounted to RMB60.19 million, nil and RMB160.44 million, respectively (As at December 31, 2018: RMB54.87 million, nil and RMB185.80 million respectively).

(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	
	2019	2018
Equity investments designated as at fair value through other comprehensive income		
Equity instruments	**4,199,647**	3,379,133
Total	**4,199,647**	3,379,133

As at December 31, 2019, the Company had no debt investments at fair value through other comprehensive income.

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, 2019, the Group received dividends in the amounts of RMB9.92 million (During the year ended December 31, 2018: RMB12.16 million) from equity investments designated as at fair value through other comprehensive income.

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

28. Loans and advances to customers

Group

	As at December 31	
	2019	2018
At amortized cost		
Corporate loans and advances		
– Loans and advances	**229,007,729**	238,020,434
– Discounted bills	**2,036,542**	1,222,268
Personal loans and advances		
– Mortgages	**26,274,047**	25,305,237
– Personal consumption loans	**20,483,984**	13,572,686
Loans to margin clients	**7,070,164**	5,803,632
Finance lease receivables	**44,234,870**	47,830,493
Subtotal	**329,107,336**	331,754,750
Interest accrued	**2,014,792**	1,908,181
Total loans and advances to customers at amortized cost	**331,122,128**	333,662,931
At fair value through profit or loss		
Corporate loans and advances	**15,007,348**	10,615,171
Total loans and advances to customers	**346,129,476**	344,278,102
Less: Allowance for impairment losses on loans and advances to customers at amortized cost	**8,270,412**	7,661,600
Net loans and advances to customers	**337,859,064**	336,616,502

(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, 2019				
Gross loans and advances	**313,233,263**	**10,607,636**	**7,281,229**	**331,122,128**
Less: Allowances for impairment losses	**2,681,287**	**2,211,544**	**3,377,581**	**8,270,412**
Net loans and advances to customers	**310,551,976**	**8,396,092**	**3,903,648**	**322,851,716**

	Stage I (12-month ECL)	Stage II (Lifetime ECL)	Stage III (Lifetime ECL-impaired)	Total
As at December 31, 2018				
Gross loans and advances	319,792,397	6,796,096	7,074,438	333,662,931
Less: Allowances for impairment losses	3,668,159	959,304	3,034,137	7,661,600
Net loans and advances to customers	316,124,238	5,836,792	4,040,301	326,001,331

(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:

	2019			
	Stage I (12-month ECL)	Stage II (Lifetime ECL)	Stage III (Lifetime ECL-impaired)	Total
As at January 1	3,668,159	959,304	3,034,137	7,661,600
Convert to Stage I	64,757	(3,763)	(60,994)	–
Convert to Stage II	(123,209)	128,486	(5,277)	–
Convert to Stage III	(318,097)	(77,220)	395,317	–
Impairment losses recognized	997,163	711,559	1,223,224	2,931,946
Impairment losses reversed	(1,578,466)	(174,417)	(499,505)	(2,252,388)
Stage conversion	(56,408)	658,114	802,779	1,404,485
Write-off and transfer out	–	–	(1,516,518)	(1,516,518)
Recovery of loans and advances written off in previous years	–	–	5,401	5,401
Unwinding of discount on allowance	–	–	(9,189)	(9,189)
Exchange differences	27,388	9,481	8,206	45,075
As at December 31	2,681,287	2,211,544	3,377,581	8,270,412

The gross carrying amount of loans and advances to customers transferred from Stage III or Stage II to Stage I due to the modification of the contractual cash flows in the year of 2019 was not significant.

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

28. Loans and advances to customers (continued)

Group (continued)

	2018			
	Stage I (12-month ECL)	Stage II (Lifetime ECL)	Stage III (Lifetime ECL-impaired)	Total
As at January 1	3,711,043	577,369	2,925,944	7,214,356
Convert to Stage I	186,119	(186,119)	–	–
Convert to Stage II	(541,138)	587,910	(46,772)	–
Convert to Stage III	(2,557)	(194,360)	196,917	–
Impairment losses recognized	2,061,807	481,459	2,091,477	4,634,743
Impairment losses reversed	(1,623,370)	(314,025)	(765,635)	(2,703,030)
Stage conversion	(115,709)	25,684	233,727	143,702
Write-off and transfer out	–	–	(1,593,905)	(1,593,905)
Recovery of loans and advances written off in previous years	–	–	6,450	6,450
Unwinding of discount on allowance	–	–	(1,593)	(1,593)
Exchange differences	(8,036)	(18,614)	(12,473)	(39,123)
As at December 31	3,668,159	959,304	3,034,137	7,661,600

The gross carrying amount of loans and advances to customers transferred from Stage III or Stage II to Stage I due to the modification of the contractual cash flows in the year of 2018 was not significant.

(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	
	2019	2018
Minimum finance lease receivables:		
Within 1 year (inclusive)	**19,918,981**	23,134,980
1 year to 5 years (inclusive)	**25,986,358**	27,453,858
Over 5 years	**3,262,264**	2,415,066
Gross amount of finance lease receivables	**49,167,603**	53,003,904
Less: Unearned finance income	**4,932,733**	5,173,411
Subtotal	**44,234,870**	47,830,493
Interest accrued	**224,304**	281,650
Net amount of finance lease receivables	**44,459,174**	48,112,143
Less: Allowance for impairment losses	**2,769,653**	1,851,469
Carrying amount of finance lease receivables	**41,689,521**	46,260,674
Present value of minimum lease receivables:		
Within 1 year (inclusive)	**17,788,548**	21,059,345
1 year to 5 years (inclusive)	**23,717,962**	24,953,462
Over 5 years	**2,952,664**	2,099,336
Total	**44,459,174**	48,112,143
Including:		
Finance lease receivables pledged for borrowings	**3,051,730**	881,110

The Company had no loans and advances to customers as at December 31, 2019 and 2018.

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

29. Financial assets at amortized cost

Group

	As at December 31	
	2019	2018
Distressed debt assets		
– Acquired from financial institutions	**10,080,485**	14,294,061
– Acquired from non-financial institutions	**184,439,371**	211,064,002
Subtotal	**194,519,856**	225,358,063
Interest accrued	**3,426,127**	2,382,607
Gross of distressed debt assets	**197,945,983**	227,740,670
Less: Allowance for impairment losses	**11,510,610**	12,887,465
Net of distressed debt assets	**186,435,373**	214,853,205
Other debt investments		
– Trust products and asset management plans	**17,348,906**	19,559,219
– Securities investments	**6,043,894**	12,727,687
– Others	**18,598,157**	6,792,730
Subtotal	**41,990,957**	39,079,636
Interest accrued	**660,311**	361,231
Gross of other debt investments	**42,651,268**	39,440,867
Less: Allowance for impairment losses	**1,441,574**	1,877,356
Net of other debt investments	**41,209,694**	37,563,511
Total	**227,645,067**	252,416,716

(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, 2019				
Gross distressed debt assets	**164,890,144**	**27,156,262**	**5,899,577**	**197,945,983**
Less: Allowance for impairment losses	**5,767,608**	**2,403,302**	**3,339,700**	**11,510,610**
Net distressed debt assets	**159,122,536**	**24,752,960**	**2,559,877**	**186,435,373**

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 RMB26,046 million was transferred from Stage I to Stage II and Stage III, and the corresponding impairment allowance was increased by RMB4,392 million. The gross carrying amount of debt assets transferred from Stage II to Stage I was RMB1,974 million, with a corresponding decrease in impairment allowance of RMB343 million. No distressed debt assets were transferred from Stage II to Stage III, or Stage III to Stage II and Stage I.

The Group transferred out impaired distressed debt assets with a gross carrying amount of RMB8,160 million, resulting in a corresponding reduction of RMB4,091 million in impairment allowance for Stage III debt assets.

The gross carrying amount of the distressed debt assets transferred from Stage III or Stage II to Stage I due to the modification of the contractual cash flows in the year of 2019 was not significant.

(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 2019 are as follows:

	2019			
	Stage I (12-month ECL)	Stage II (Lifetime ECL)	Stage III (Lifetime ECL-impaired)	Total
As at January 1	6,774,824	1,811,341	4,301,300	12,887,465
Convert to Stage I	831,292	(831,292)	–	–
Convert to Stage II	(322,471)	322,471	–	–
Convert to Stage III	(75,261)	–	75,261	–
Impairment losses recognized	2,959,532	844,937	219,502	4,023,971
Impairment losses reversed	(3,936,123)	(526,918)	(65,734)	(4,528,775)
Stage conversion	(343,423)	1,491,199	2,901,110	4,048,886
Write-off and transfer out	(120,762)	(708,436)	(4,091,409)	(4,920,607)
Unwinding of discount on allowance	–	–	(330)	(330)
As at December 31	5,767,608	2,403,302	3,339,700	11,510,610

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, 2018				
Gross distressed debt assets	204,908,974	15,556,542	7,275,154	227,740,670
Less: Allowance for impairment losses	6,774,824	1,811,341	4,301,300	12,887,465
Net distressed debt assets	198,134,150	13,745,201	2,973,854	214,853,205

(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 RMB13,851 million was transferred from Stage I to Stage II and Stage III, and the corresponding impairment allowance was increased by RMB1,213 million. The gross carrying amount of debt assets which transferred from Stage II to Stage III was RMB2,039 million, with a corresponding increase in impairment allowance of RMB1,113 million. No distressed debt assets were transferred from Stage II to Stage I or Stage III to Stage II and Stage I.

The Group transferred out impaired distressed debt assets with a gross carrying amount of RMB701 million, resulting in a corresponding reduction of RMB321 million in impairment allowance for Stage III debt assets.

The gross carrying amount of the distressed debt assets which transferred from Stage III or Stage II to Stage I due to the modification of the contractual cash flows in the year of 2018 was not significant.

The movements of allowance for distressed debt assets are in the year of 2018 as follows:

	2018			
	Stage I (12-month ECL)	Stage II (Lifetime ECL)	Stage III (Lifetime ECL-impaired)	Total
As at January 1	5,832,741	1,212,040	1,936,941	8,981,722
Convert to Stage II	(285,773)	285,773	–	–
Convert to Stage III	(54,225)	(120,325)	174,550	–
Impairment losses recognized	3,711,883	329,416	795,786	4,837,085
Impairment losses reversed	(2,429,802)	(352,599)	(731)	(2,783,132)
Stage conversion	–	457,036	1,869,147	2,326,183
Write-off and transfer out	–	–	(321,372)	(321,372)
Unwinding of discount on allowance	–	–	(153,021)	(153,021)
As at December 31	6,774,824	1,811,341	4,301,300	12,887,465

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

29. Financial assets at amortized cost (continued)

Company

	As at December 31	
	2019	2018
Distressed debt assets		
– Acquired from financial institutions	**10,080,485**	14,294,061
– Acquired from non-financial institutions	**185,020,419**	211,967,441
Subtotal	**195,100,904**	226,261,502
Interest accrued	**3,436,246**	2,432,763
Gross of distressed debt assets	**198,537,150**	228,694,265
Less: Allowance for impairment losses	**11,412,402**	12,904,752
Net of distressed debt assets	**187,124,748**	215,789,513
Other debt investments		
– Trust products and asset management plans	**248,597**	–
– Securities investments	**–**	678,131
– Others	**46,843**	46,843
Subtotal	**295,440**	724,974
Interest accrued	**4,231**	12,603
Gross of other debt investments	**299,671**	737,577
Less: Allowance for impairment losses	**58,528**	134,875
Net of other debt investments	**241,143**	602,702
Total	**187,365,891**	216,392,215

(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, 2019				
Gross distressed debt assets	165,674,836	27,156,262	5,706,052	198,537,150
Less: Allowance for impairment losses	5,818,128	2,403,302	3,190,972	11,412,402
Net distressed debt assets	159,856,708	24,752,960	2,515,080	187,124,748

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 2019 are as follows :

	2019			
	Stage I (12-month ECL)	Stage II (Lifetime ECL)	Stage III (Lifetime ECL-impaired)	Total
As at January 1	6,910,134	1,811,341	4,183,277	12,904,752
Convert to Stage I	831,292	(831,292)	–	–
Convert to Stage II	(322,471)	322,471	–	–
Convert to Stage III	(75,261)	–	75,261	–
Impairment losses recognized	2,959,532	844,937	205,286	4,009,755
Impairment losses reversed	(4,020,913)	(526,918)	(82,223)	(4,630,054)
Stage conversion	(343,423)	1,491,199	2,901,110	4,048,886
Write-off and transfer out	(120,762)	(708,436)	(4,091,409)	(4,920,607)
Unwinding of discount on allowance	–	–	(330)	(330)
As at December 31	5,818,128	2,403,302	3,190,972	11,412,402

(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, 2018				
Gross distressed debt assets	206,029,130	15,556,542	7,108,593	228,694,265
Less: Allowance for impairment losses	6,910,134	1,811,341	4,183,277	12,904,752
Net distressed debt assets	199,118,996	13,745,201	2,925,316	215,789,513

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 2018 are as follows :

	2018			
	Stage I (12-month ECL)	Stage II (Lifetime ECL)	Stage III (Lifetime ECL-impaired)	Total
As at January 1	5,832,741	1,212,040	1,945,186	8,989,967
Convert to Stage II	(285,773)	285,773	–	–
Convert to Stage III	(54,225)	(120,325)	174,550	–
Impairment losses recognized	3,847,193	329,416	804,030	4,980,639
Impairment losses reversed	(2,429,802)	(352,599)	(731)	(2,783,132)
Stage conversion	–	457,036	1,869,147	2,326,183
Write-off and transfer out	–	–	(455,884)	(455,884)
Unwinding of discount on allowance	–	–	(153,021)	(153,021)
As at December 31	6,910,134	1,811,341	4,183,277	12,904,752

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

30. Accounts receivable

Group

	As at December 31	
	2019	2018
Agreed repurchase trading receivables	**–**	2,534,873
Accounts receivable relating to equity assets (1)	**1,206,745**	1,507,524
Accounts receivable from sales of properties	**620,439**	479,165
Commission and fee receivables	**248,450**	190,669
Accounts receivable relating to distressed debt assets	**327,432**	175,229
Insurance premium and reinsurance refund receivables	**–**	133,801
Others	**277,171**	191,005
Gross of accounts receivable	**2,680,237**	5,212,266
Less: Allowance for impairment losses	**277,512**	1,060,332
Net of accounts receivable	**2,402,725**	4,151,934

Company

	As at December 31	
	2019	2018
Accounts receivable relating to equity assets (1)	**400,008**	445,524
Accounts receivable relating to distressed debt assets	**283,872**	175,229
Others	**244,382**	106,270
Gross of accounts receivable	**928,262**	727,023
Less: Allowance for impairment losses	**375,457**	191,450
Net of accounts receivable	**552,805**	535,573

(1) As at December 31, 2019, accounts receivable relating to disposal of debt-to-equity assets amounted to RMB400.01 million (As at December 31, 2018: RMB445.52 million). These receivables bear interest at nil to 5.87% per annum (As at December 31, 2018: Nil to 7.5%).

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

30. Accounts receivable (continued)

The ageing analysis of accounts receivable relating to distressed debt assets and debt-to-equity swap assets is as follows:

Group

	As at December 31							
	2019				2018			
	Gross amount	%	Impairment	Carrying amount	Gross amount	%	Impairment	Carrying amount
Within 1 year (inclusive)	193,560	27	–	193,560	27,857	4	–	27,857
1 year to 2 years (inclusive)	–	–	–	–	–	–	–	–
2 years to 3 years (inclusive)	–	–	–	–	–	–	–	–
Over 3 years	533,880	73	(133,872)	400,008	592,896	96	(91,450)	501,446
Total	727,440	100	(133,872)	593,568	620,753	100	(91,450)	529,303

Company

	As at December 31							
	2019				2018			
	Gross amount	%	Impairment	Carrying amount	Gross amount	%	Impairment	Carrying amount
Within 1 year (inclusive)	150,000	22	–	150,000	27,857	4	–	27,857
1 year to 2 years (inclusive)	–	–	–	–	–	–	–	–
2 years to 3 years (inclusive)	–	–	–	–	–	–	–	–
Over 3 years	533,880	78	(133,872)	400,008	592,896	96	(91,450)	501,446
Total	683,880	100	(133,872)	550,008	620,753	100	(91,450)	529,303

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

30. Accounts receivable (continued)

The movements of allowance for impairment loss during the years are as follows:

Group

	Year ended December 31	
	2019	2018
At beginning of the year	**1,060,332**	158,462
Impairment losses recognized	**112,146**	951,661
Impairment losses reversed	**(227,640)**	(1,693)
Amounts written off and transfer out	**(667,326)**	(48,098)
At end of the year	**277,512**	1,060,332

Company

	Year ended December 31	
	2019	**2018**
At beginning of the year	**191,450**	189,893
Impairment losses recognized	**184,007**	1,557
At end of the year	**375,457**	191,450

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 the fiscal year.

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

32. Properties held for sale

Group

	As at December 31	
	2019	2018
Completed properties	**13,619,506**	7,542,289
Properties under development	**46,750,573**	54,662,458
Others	**37,426**	16,209
Subtotal	**60,407,505**	62,220,956
Less: Allowance for impairment losses	**820,348**	496,906
Total	**59,587,157**	61,724,050
Including:		
Pledged for borrowings	**16,819,551**	20,761,098

As at December 31, 2019 and 2018, included in the properties held for sale were amounts of RMB27,844 million and RMB21,317 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 2019 and 2018.

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

33. Investment properties

Group

	Year ended December 31	
	2019	2018
Cost		
At beginning of the year	**5,145,287**	3,997,869
Acquisition of subsidiaries	**1,691,052**	749,706
Additions during the year	**170,758**	80,875
Transfer in	**14,263**	370,880
Disposals	**(31,683)**	(22,777)
Transfer to assets held for sale	**–**	(31,266)
At end of the year	**6,989,677**	5,145,287
Accumulated depreciation		
At beginning of the year	**(858,671)**	(689,433)
Change for the year	**(190,671)**	(196,865)
Disposals	**1,754**	5,992
Transfer to assets held for sale	**–**	21,635
At end of the year	**(1,047,588)**	(858,671)
Allowance for impairment losses		
At beginning of the year	**(19,103)**	(10,158)
Change for the year	**(61,927)**	(8,945)
At end of the year	**(81,030)**	(19,103)
Net book value		
At beginning of the year	**4,267,513**	3,298,278
At end of the year	**5,861,059**	4,267,513
Net book value of investment properties pledged for borrowings	**2,850,447**	639,901

(Amounts in thousands of RMB, unless otherwise stated)

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	
	2019	2018
– on long-term leases (over 50 years)	**87,652**	30,296
– on medium-term leases (10 to 50 years)	**5,653,969**	4,120,345
– on short-term leases (less than 10 years)	**119,438**	116,872
Total	**5,861,059**	4,267,513

As at December 31, 2019, the Group had no investment properties for which the Group has not obtained a certificate of land use right or certificate of property ownership (2018: RMB0.09 million).

Company

	Year ended December 31	
	2019	2018
Cost		
At beginning of the year	**448,526**	438,758
Transfers in	**–**	9,768
At end of the year	**448,526**	448,526
Accumulated depreciation		
At beginning of the year	**(136,112)**	(119,344)
Change for the year	**(16,451)**	(16,293)
Transfers in	**–**	(475)
At end of the year	**(152,563)**	(136,112)
Net book value		
At beginning of the year	**312,414**	319,414
At end of the year	**295,963**	312,414

(Amounts in thousands of RMB, unless otherwise stated)

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	
	2019	2018
– on medium-term leases (10 to 50 years)	**295,963**	312,414

34. Interests in subsidiaries

Company

	As at December 31	
	2019	2018
At cost	**39,484,717**	50,415,410
Total	**39,484,717**	50,415,410

(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/ establishment	Date of incorporation/ establishment	Authorized/ paid- in capital as at December 31, 2019 (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
				2019 %(1)	2018 %(1)	2019 %(1)	2018 %(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	RMB2,568,700	**99.33**	99.33	**99.33**	99.33	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
Happy Life Insurance Co., Ltd.* (e) (2)	Beijing, PRC	November 5, 2007	RMB10,130,376	**51.00**	51.00	**51.00**	51.00	Life insurance
China Jingu International Trust Co., Ltd.* (f)	Beijing, PRC	April 21, 1993	RMB2,200,000	**92.29**	92.29	**92.29**	92.29	Trust service
Cinda Financial Leasing Co., Ltd.* (f)	Lanzhou, PRC	December 28, 1996	RMB3,505,249	**99.92**	99.92	**99.92**	99.92	Financial leasing
Nanyang Commercial Bank, Limited	Hong Kong, PRC	February 2, 1948	HKD3,144,517	**100.00**	100.00	**100.00**	100.00	Commercial Bank
China Cinda (HK) Asset Management Co., Ltd.	Hong Kong, PRC	April 21, 1999	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	RMB500,000	**99.33**	99.33	**100.00**	100.00	Futures and brokerage

(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/ establishment	Date of incorporation/ establishment	Authorized/ paid- in capital as at December 31, 2019 (In '000)	Proportion of ownership held by the Group As at December 31 2019 %(1)	2018 %(1)	Proportion of voting rights held by the Group As at December 31 2019 %(1)	2018 %(1)	Principal activities
Xinfeng Investment Management Co., Ltd. (a)	Beijing, PRC	April 9, 2012	RMB400,000	**99.33**	99.33	**100.00**	100.00	Investment management
Cinda Innovation Investment Co., Ltd. (a)	Beijing, PRC	August 20, 2013	RMB400,000	**99.33**	99.33	**100.00**	100.00	Investment management
First State Cinda Fund Management Co., Ltd. (b)	Shenzhen, PRC	June 5, 2006	RMB100,000	**53.64**	53.64	**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) (l) (3)	Shanghai, PRC	July 27, 1991	RMB139,144	**40.68**	40.68	**40.68**	40.68	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) (l)	Beijing, PRC	July 20, 1984	RMB2,851,879	**55.45**	55.45	**55.45**	55.45	Real estate development
Changhuai Cinda Real Estate Co., Ltd. (a)	Anhui, PRC	June 8,2006	RMB5,136,643	**55.45**	55.45	**100.00**	100.00	Real estate development

(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/ establishment	Date of incorporation/ establishment	Authorized/ paid- in capital as at December 31, 2019 (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
				2019 %(1)	2018 %(1)	2019 %(1)	2018 %(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
Dalian Cinda Zhonglian Investment Co., Ltd. (f)	Dalian, PRC	March 3, 2010	RMB51,110	**55.00**	55.00	**55.00**	55.00	Project investment
Cinda International Holdings Limited (II)	Bermuda	April 19, 2000	HKD64,121	**62.58**	63.00	**63.00**	63.00	Investment holding
Beijing Cinda Shiyuxin Investment Management Co., Ltd. (a)	Beijing, PRC	May 11, 2015	RMB10,000	**55.45**	55.45	**100.00**	100.00	Asset management
Cinda Equity Investment (Tianjin) Co., Ltd. (f) (4)	Tianjin, PRC	December 29, 2011	RMB170,000	**36.71**	36.71	**36.71**	36.71	Private fund
Hefei Asia-Pacific Science and Technology Development Co., Ltd. (a)	Hefei, PRC	September 30, 1999	RMB23,000	**55.45**	55.45	**100.00**	100.00	Real estate development
Ningbo Meishan Tax-protected Zone Runzhe Asset Management Co., Ltd. (a) (III)	Ningbo, PRC	February 13, 2017	RMB60,000	**0.00**	100.00	**0.00**	100.00	Investment management
Beijing Cinda Real Estate Development Co., Ltd. (a)	Beijing, PRC	September 14, 2015	RMB10,000	**55.45**	55.45	**100.00**	100.00	Real estate development
Hefei Zhonghuan Rongcheng Real Estate Co., Ltd. (f)	Anhui, PRC	June 15, 2006	RMB150,000	**68.82**	68.82	**100.00**	100.00	Real estate development
Hefei Zhonghuan Yicheng Real Estate Co., Ltd. (f)	Anhui, PRC	December 23, 2016	RMB100,000	**68.82**	68.82	**100.00**	100.00	Real estate development
Jade Aviation LLC	Cayman Islands	January 11, 2018	USD87,440	**80.00**	80.00	**80.00**	80.00	Aircraft leasing

The above table lists the principal subsidiaries of the Company. To give details of other subsidiaries would, in the opinion of the management, result in particulars of excessive length.

VI. EXPLANATORY NOTES (continued)

34. Interests in subsidiaries (continued)

Company (continued)

* These subsidiaries are directly held by the Company.

(a) This entity is registered as solely invested by a corporation limited liability company under the PRC laws.

(b) This entity is registered as a Sino-foreign joint venture limited liability company under the PRC laws.

(c) This entity is registered as a mainland joint venture with a Hong Kong, Macao or Taiwan limited liability company under the PRC laws.

(d) This entity is registered as a listed joint stock limited company under the PRC laws.

(e) This entity is registered as an unlisted joint stock limited company under the PRC laws.

(f) This entity is registered as other limited liability company under the PRC laws.

(I) The shares of these subsidiaries are listed in Mainland China.

(II) The shares of these subsidiaries are listed in Hong Kong.

(III) These subsidiaries were disposed of in 2019.

(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) On November 19, 2019, the Group publicly announced the decision of its Board of Directors to sell Happy Life, a wholly-owned subsidiary, and classified Happy Life as held for sale.

(3) 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, with the exception of two independent directors. Therefore, Shanghai Tongda is accounted for as a subsidiary of the Company.

(4) The Group's shareholding in Cinda Equity Investment (Tianjin) Co., Ltd. ("Cinda Equity") is less than 50%. According to the corporate charter, the key persons in the Investment Committee, which is the operating decision-making institution of Cinda Equity, are all from the Group. Thus, the Group can direct Cinda Equity's relevant activities, and it is therefore accounted for as a subsidiary of the Company.

(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") and Happy Life are the subsidiaries which have significant influence on non-controlling interests the in consolidated financial statements of the Group.

General information about Cinda Real Estate has been set out in Note VI.34 Interests in subsidiaries. Summarized financial information about Cinda Real Estate before intra-group eliminations is as follows:

Cinda Real Estate

	As at December 31	
	2019	2018
Current assets	**84,703,761**	91,434,964
Non-current assets	**13,900,867**	10,048,508
Current liabilities	**52,734,792**	55,045,319
Non-current liabilities	**23,109,786**	25,563,188
Total equity	**22,760,049**	20,874,965
Non-controlling interests of the subsidiary	**10,633,217**	9,842,152

	Year ended December 31	
	2019	2018
Total revenue	**19,478,393**	18,754,067
Profit before tax	**3,620,703**	3,364,012
Total comprehensive income	**2,556,093**	2,509,315
Profit attributable to non-controlling interests of the subsidiary during the year	**1,272,196**	1,316,602
Dividend distribution to non-controlling interests	**502,776**	179,619

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

35. Non-controlling interests in the subsidiaries of the Group (continued)

Cinda Real Estate (continued)

	Year ended December 31	
	2019	2018
Net cash flow from operating activities	**8,114,810**	7,061,357
Net cash flow from investing activities	**(5,570,048)**	4,473,504
Net cash flow from financing activities	**(7,589,064)**	(8,425,069)
Net (decrease)/increase in cash and cash equivalents	**(5,044,302)**	3,109,792

On November 19, 2019, the Group publicly announced the decision of its Board of Directors to sell Happy Life and classified Happy Life as held for sale. General information about Happy Life has been set out in Note VI.34 Interests in subsidiaries. Summarized financial information about Happy Life prepared in accordance with the accounting policies of the Group and before intra-group eliminations is as follows:

Happy Life

	As at December 31	
	2019	2018
Total assets	**63,061,829**	67,894,132
Total liabilities	**57,866,713**	63,146,923
Total equity	**5,195,116**	4,747,209
Non-controlling interests of the subsidiary	**2,545,867**	2,326,370

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

35. Non-controlling interests in the subsidiaries of the Group (continued)

Happy Life (continued)

	Year ended December 31	
	2019	2018
Total revenue	**11,871,558**	9,116,830
Profit/(loss) before tax	**492,117**	(3,709,345)
Total comprehensive income/(expense)	**513,086**	(3,567,472)
Profit/(loss) attributable to non-controlling interests of the subsidiary during the year	**390,550**	(2,710,237)
Dividend distribution to non-controlling interests	**–**	–

	Year ended December 31	
	2019	2018
Net cash flow from operating activities	**(4,054,974)**	(12,370,017)
Net cash flow from investing activities	**8,801,809**	3,132,569
Net cash flow from financing activities	**(4,553,335)**	7,014,005
Net increase/(decrease) in cash and cash equivalents	**193,500**	(2,223,443)

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 involves 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 involves 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.

(Amounts in thousands of RMB, unless otherwise stated)

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 2019 (In RMB'000)	Proportion of interests held by the Group As at December 31 2019 %	Proportion of interests held by the Group As at December 31 2018 %	Principal activities
Ningbo Meishan Bonded Port Area Jusheng Jiada Investment Partnership (Limited Partnership)	**8,002,000**	**86.25**	86.25	Investment management
Shenzhen Xinting Investment Partnership No.[1] (Limited Partnership)	**5,597,800**	**99.82**	99.83	Investment management
Wuhu Xinshi Heli Investment Management Partnership (Limited Partnership)	**4,059,290**	**100.00**	100.00	Investment management
Jingu·Borui Single Capital Trust No.[95]	**3,761,000**	**100.00**	–	Trust
Ningbo Meishan Bonded Port Area Cinda Runze Investment Partnership (Limited Partnership)	**2,885,020**	**100.00**	100.00	Investment management
Ningbo Meishan Bonded Port Area Jinxin Tairun Investment Partnership (Limited Partnership)	**2,807,000**	**99.93**	–	Investment management
Ningbo Meishan Bonded Port Area Cinda Yingxin Investment Partnership (Limited Partnership)	**2,763,404**	**100.00**	100.00	Investment management
Bohai Trust·Hangzhou Chengmao Capital Trust	**2,315,000**	**100.00**	100.00	Trust
Wuhu Xinshi Xinye Investment Management Partnership (Limited Partnership)	**1,977,100**	**100.00**	100.00	Investment management
Shanghai Qixin Investment Partnership (Limited Partnership)	**1,800,000**	**99.94**	99.69	Investment management
Ningbo Juxin Xizhao Investment Management Partnership (Limited Partnership)	**1,550,000**	**100.00**	64.58	Investment management
Ningbo Xintai Kaiyuan Equity Investment Partnership (Limited Partnership)	**1,500,100**	**99.99**	99.99	Investment management
Shanghai Yuxin Equity Investment Partnership (Limited Partnership)	**1,490,665**	**99.87**	99.87	Investment management
Shenzhen Cinda City Development Investment Partnership (Limited Partnership)	**1,397,950**	**100.00**	100.00	Investment management
Jingu·Huiyin Single Capital Trust No.[73]	**1,100,000**	**100.00**	–	Trust

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

36. Interests in consolidated structured entities (continued)

Name of structured entity	Paid-in capital/size of trust plan As at December 31 2019 (In RMB'000)	Proportion of interests held by the Group As at December 31 2019 %	2018 %	Principal activities
Ningbo Huajian Dingsheng Equity Investment Partnership (Limited Partnership)	**1,001,000**	**89.91**	89.91	Investment management
Guotong Trust·Cinda Single Capital Trust No.[1]	**981,000**	**100.00**	100.00	Trust
Wuhu Xindongzhen Investment Center (Limited Partnership)	**953,500**	**96.54**	96.54	Investment management
Ningbo Meishan Bonded Port Area Xinji Investment Partnership (Limited Partnership)	**929,360**	**100.00**	100.00	Investment management
Huaxin Trust Ruike Single Capital Trust No.[15]	**900,000**	**100.00**	–	Trust
Jingu·Jinrui Single Capital Trust No.[61]	**850,000**	**100.00**	–	Trust
Cinda Xinyuan Directed Assets Management Plan No.[1]	**819,145**	**100.00**	100.00	Asset management plan
Wuhu Xinzerun Investment Management Partnership (Limited Partnership)	**800,000**	**100.00**	100.00	Investment management
Hainan Shoutai Rongxin Equity Investment Partnership (Limited Partnership)	**800,000**	**98.75**	98.75	Investment management

The financial impact of each of the private equity funds, trusts, asset management plans on the Group's financial position as at December 31, 2019 and 2018, and results and cash flows for the years ended December 31, 2019 and 2018, though consolidated, are not significant and therefore not disclosed separately.

Interests in all consolidated structured entities directly held by the Company amounted to RMB35,124.12 million and RMB36,849.18 million, at December 31, 2019 and 2018, 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.58 Other liabilities.

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

37. Interests in associates and joint ventures

Group

	As at December 31	
	2019	2018
Interests in associates		
Carrying amount of unlisted companies	**35,976,942**	29,939,097
Carrying amount of listed companies	**21,094,870**	22,015,159
Allowance for impairment losses	**(1,772,054)**	(63,539)
Net carrying amounts of associates	**55,299,758**	51,890,717
Interests in joint ventures		
Carrying amount of unlisted companies	**17,858,751**	22,404,993
Allowance for impairment losses	**(152,220)**	–
Net carrying amounts of joint ventures	**17,706,531**	22,404,993
Net carrying amounts	**73,006,289**	74,295,710

Company

	As at December 31	
	2019	2018
Interests in associates		
Carrying amount of unlisted companies	**28,731,266**	20,279,713
Carrying amount of listed companies	**12,316,210**	13,490,696
Allowance for impairment losses	**(1,423,000)**	–
Net carrying amounts of associates	**39,624,476**	33,770,409
Interests in joint ventures		
Carrying amount of unlisted companies	**9,025,071**	13,737,392
Allowance for impairment losses	**(152,220)**	–
Net carrying amounts of joint ventures	**8,872,851**	13,737,392
Net carrying amounts	**48,497,327**	47,507,801

(Amounts in thousands of RMB, unless otherwise stated)

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 2019 (In'000)	Book value As at December 31 2019 (In'000)	2018 (In'000)	Proportion of equity interests held by the Group As at December 31 2019 %	2018 %	Proportion of voting power held by the Group As at December 31 2019 %	2018 %	Principal activities
Shenhua Group Zhungeer Energy Co., Ltd.	Ordos, PRC	RMB7,102,343	**15,609,962**	14,516,427	**42.24**	42.24	**42.24**	42.24	Coal mining
Yancoal Australia Ltd.(1)	Australia	AUD5,023,000	**5,460,841**	5,249,817	**16.70**	16.70	**16.70**	16.70	Coal mining
Wuhu Xinyunhanshi Investment Partnership (Limited Partnership) (2)	Wuhu, PRC	RMB5,379,050	**4,750,086**	4,646,229	**79.89**	79.89	**33.33**	33.33	Investment holding
Shenzhen Tencent Cinda Limited Partnership (Limited Partnership) (2)	Shenzhen, PRC	RMB11,007,330	**4,052,474**	4,012,142	**36.35**	36.35	**50.00**	50.00	Investment holding
China Nuclear Engineering Co., Ltd. (3)	Beijing, PRC	RMB2,625,000	**3,697,392**	3,574,618	**11.78**	11.78	**11.78**	11.78	Construction
Wengfu Group Co., Ltd. (4)	Guiyang, PRC	RMB4,609,091	**3,319,881**	–	**32.74**	–	**32.74**	–	Chemical materials and products
Huainan Mining (Group) Co., Ltd. (5)	Huainan, PRC	RMB18,102,549	**3,106,642**	3,000,000	**8.32**	8.96	**8.32**	8.96	Coal mining
Ordos Yihua Mining Resources Co., Ltd. (6)	Ordos, PRC	RMB1,274,087	**2,860,618**	–	**29.96**	–	**29.96**	–	Coal mining
Kailuan Energy Chemical Co., Ltd.	Tangshan, PRC	RMB1,587,800	**2,790,866**	2,555,035	**22.24**	22.24	**22.24**	22.24	Coal mining
Xinjiang Chang Yuan Water Group Co., Ltd.	Urumqi, PRC	RMB800,000	**2,556,920**	2,556,920	**51.00**	51.00	**51.00**	51.00	Hydraulic generation
Baiyin Nonferrous Group Co., Ltd. (7)	Baiyin, PRC	RMB7,212,335	**2,247,730**	2,420,062	**5.06**	5.38	**5.06**	5.38	Mining
Prometeon Tyre Group S.r.l.	Milan, Italy	EUR100,000	**1,847,055**	1,903,418	**38.00**	38.00	**38.00**	38.00	Manufacturing
Xishan Coal Electricity Group Co., Ltd.	Taiyuan, PRC	RMB9,250,327	**1,784,056**	3,449,727	**41.14**	41.14	**41.14**	41.14	Coal mining
BAIC BluePark New Energy Technology Co., Ltd. (8)	Beijing, PRC	RMB3,493,659	**1,843,285**	2,014,890	**5.36**	5.58	**5.36**	5.58	Manufacturing
Zhongxin Boda (Wuhu) Investment Partnership (Limited Partnership) (2)	Wuhu, PRC	RMB4,803,340	**1,713,958**	3,706,971	**74.50**	74.50	**33.33**	33.33	Investment holding
Qinghai Salt Lake Industry Co., Ltd.(9)	Ge'ermu, PRC	RMB1,857,394	**–**	2,791,482	**6.23**	6.23	**6.23**	6.23	Chemical materials and products

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 Group has a 16.70% interest in Yancoal Australia Ltd. ("YAL"), thus the Group can exercise significant influence on the financial and operating policy decision of YAL by nominating a director to its board of directors. The Group accounts for this investment by equity method as an associate.

(2) The Group holds part of interests in the 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.

(3) The Company has a 11.78% interest in China Nuclear Engineering Co., Ltd. ("CNE"). The Company has significant influence over CNE, as it is the second largest shareholder and can nominate a director to its board of directors. The Group accounts for this investment by equity method as an associate.

(4) The Company has a 32.74% interest in Wengfu Group Co.,Ltd. ("Wengfu Group"), thus the Group can exercise significant influence on the financial and operating policy decision of Wengfu Group by nominating five directors to its board of directors. The Group accounts for this investment by equity method as an associate.

(5) The Company has an 8.32% interest in Huainan Mining (Group) Co.,Ltd. ("Huainan Mining"), thus the Group can exercise significant influence on the financial and operating policy decision of Huainan Mining by nominating two directors to its board of directors. The Group accounts for this investment by equity method as an associate. The decrease of the holding percentage in Huainan Mining is due to the capital increase and share expansion of Huainan Mining in this year.

(6) The Company has a 29.96% interest in Ordos Yihua Mining Resources Co., Ltd. ("Yihua Mining"), thus the Group can exercise significant influence on the financial and operating policy decision of Yihua Mining by nominating two directors to its board of directors. The Group accounts for this investment by equity method as an associate.

(7) The Company has a 5.06% interest in Baiyin Nonferrous Group Co., Ltd. ("Baiyin Nonferrous"), thus the Company can exercise significant influence on financial and operating policy decision of Baiyin Nonferrous by nominating a director to its board of directors. The Company accounts for this investment by equity method as an associate. The decrease of the holding percentage in Baiyin Nonferrous is due to the capital increase and share expansion of Baiyin Nonferrous in this year.

(8) The Group has a 5.36% interest in BAIC BluePark New Energy Technology Co.,Ltd. ("BAICBP"), thus the Group can exercise significant influence on the financial and operating policy decision of BAICBBP by nominating a director to its board of directors. The Group accounts for this investment by equity method as an associate. The decrease of the holding percentage in BAICBP is due to the capital increase and share expansion of BAICBP in this year.

(9) The Company has a 6.23% interest in Qinghai Salt Lake Industry Co., Ltd. ("Qinghai Salt Lake"), thus the Company can exercise significant influence on the financial and operating policy decision of Qinghai Salt Lake by nominating a director to its board of directors. The Group accounts for this investment by equity method as an associate. For the year ended December 31, 2019, the book value of Qinghai Salt Lake is RMB0 million, which caused by the Company's recognition of impairment and equity method adjustment regarding to the reorganization of Qinghai Salt Lake.

(Amounts in thousands of RMB, unless otherwise stated)

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, 2019, 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:

	As at December 31			
	2019		2018	
	Carrying amount	**Maximum exposure to risk**	Carrying amount	Maximum exposure to risk
Financial assets at fair value through profit or loss	**106,530,006**	**106,530,006**	148,311,436	148,311,436
Financial assets at amortized cost	**17,926,727**	**17,926,727**	17,741,198	17,741,198
Interests in associates and joint ventures	**7,379,050**	**7,379,050**	11,687,910	11,687,910

In 2019, the Group obtained management fee, commission and performance fee amounting to RMB384.99 million (2018: RMB458.05 million) from unconsolidated structured entities sponsored by the Group, in which the Group held no interest as at the year end.

(Amounts in thousands of RMB, unless otherwise stated)

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, 2019	10,629,724	2,279,663	450,811	862,180	283,898	204,487	14,710,763
Acquisition of subsidiaries	–	–	117	11	–	–	128
Additions	3,798,998	2,619,070	31,567	52,866	19,861	62,667	6,585,029
Transfer to assets held for sale	(203,881)	–	(162,031)	(20,376)	(34,053)	–	(420,341)
Disposals of subsidiaries	(5,889)	–	(2,028)	(23,518)	(815)	–	(32,250)
Disposals	(1,815)	(290,351)	(15,670)	(28,842)	(19,740)	–	(356,418)
Construction in progress transfer in/(out)	187,525	–	2,379	959	–	(222,753)	(31,890)
Transfer in/(out)	144,915	–	–	(29,292)	(7,914)	–	107,709
Exchange differences	193,158	46,297	1,398	1,724	258	543	243,378
As at December 31, 2019	14,742,735	4,654,679	306,543	815,712	241,495	44,944	20,806,108
Accumulated depreciation							
As at January 1, 2019	(1,782,294)	(21,990)	(267,539)	(620,506)	(221,730)	–	(2,914,059)
Change for the year	(303,949)	(112,935)	(47,264)	(104,615)	(15,887)	–	(584,650)
Transfer to assets held for sale	28,159	–	117,094	18,927	30,283	–	194,463
Disposals of subsidiaries	4,513	–	1,306	18,373	772	–	24,964
Disposals	387	9,259	13,411	56,203	26,416	–	105,676
Exchange differences	(15,015)	(1,287)	(939)	(1,277)	(200)	–	(18,718)
As at December 31, 2019	(2,068,199)	(126,953)	(183,931)	(632,895)	(180,346)	–	(3,192,324)
Allowance for impairment losses							
As at January 1, 2019	(1,624)	–	(16)	–	(346)	(484)	(2,470)
Change for the year	–	(75,367)	–	–	–	–	(75,367)
Disposals	–	75,367	–	–	–	–	75,367
Exchange difference	(5)	–	–	–	–	–	(5)
As at December 31, 2019	(1,629)	–	(16)	–	(346)	(484)	(2,475)
Net book value							
As at January 1, 2019	8,845,806	2,257,673	183,256	241,674	61,822	204,003	11,794,234
As at December 31, 2019	12,672,907	4,527,726	122,596	182,817	60,803	44,460	17,611,309
Including:							
Net book value of assets pledged as at December 31, 2019	198,741	551,165	–	–	–	–	749,906

(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, 2018	10,363,465	–	536,427	799,483	278,821	171,144	12,149,340
Acquisition of subsidiaries	1,429	–	3,147	115	3,799	–	8,490
Additions	1,571	2,212,753	42,493	115,620	14,018	37,398	2,423,853
Assets held for sale	(1,530)	–	–	(107)	–	–	(1,637)
Disposals	(6,724)	–	(11,681)	(54,198)	(13,241)	(4,916)	(90,760)
Construction in progress transfer in/(out)	3,762	–	600	241	–	(5,051)	(448)
Transfer in/(out)	8,102	–	(122,489)	(522)	–	–	(114,909)
Exchange differences	259,649	66,910	2,314	1,548	501	5,912	336,834
As at December 31, 2018	10,629,724	2,279,663	450,811	862,180	283,898	204,487	14,710,763
Accumulated depreciation							
As at January 1, 2018	(1,477,078)	–	(231,815)	(563,368)	(216,274)	–	(2,488,535)
Change for the year	(301,936)	(21,254)	(45,304)	(91,466)	(15,608)	–	(475,568)
Assets held for sale	1,234	–	–	100	–	–	1,334
Disposals	932	–	10,665	47,332	11,285	–	70,214
Exchange differences	(5,446)	(736)	(1,085)	(13,104)	(1,133)	–	(21,504)
As at December 31, 2018	(1,782,294)	(21,990)	(267,539)	(620,506)	(221,730)	–	(2,914,059)
Allowance for impairment losses							
As at January 1, 2018	(1,613)	–	(16)	–	(346)	(484)	(2,459)
Exchange difference	(11)	–	–	–	–	–	(11)
As at December 31, 2018	(1,624)	–	(16)	–	(346)	(484)	(2,470)
Net book value							
As at January 1, 2018	8,884,774	–	304,596	236,115	62,201	170,660	9,658,346
As at December 31, 2018	8,845,806	2,257,673	183,256	241,674	61,822	204,003	11,794,234
Including:							
Net book value of assets pledged as at December 31, 2018	205,028	–	–	–	–	–	205,028

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

39. Property and equipment (continued)

Group (continued)

As at December 31, 2019 and 2018, the original cost of the fully depreciated property and equipment that were still in use amounted to RMB563.50 million and RMB578.24 million, respectively.

As at December 31, 2019 and 2018, the Group's property and equipment for which the Group has not obtained a certificate of property ownership amounted to RMB583.44 million and RMB658.12 million, respectively.

The net book value of buildings located on land with the following remaining lease terms are as follows:

	As at December 31	
	2019	2018
– on long-term leases (over 50 years)	**3,271,516**	3,323,412
– on medium-term leases (10 to 50 years)	**9,233,755**	5,333,807
– on short-term leases (less than 10 years)	**167,636**	188,587
Total	**12,672,907**	8,845,806

(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	Total
Cost					
As at January 1, 2019	1,057,609	104,463	326,626	99,737	1,588,435
Additions	–	202	26,231	8,138	34,571
Disposals	–	–	(29,292)	(7,914)	(37,206)
As at December 31, 2019	1,057,609	104,665	323,565	99,961	1,585,800
Accumulated depreciation					
As at January 1, 2019	(80,770)	(46,590)	(196,788)	(80,357)	(404,505)
Change for the year	(34,867)	(7,207)	(56,456)	(4,939)	(103,469)
Disposals	–	–	28,354	7,613	35,967
As at December 31, 2019	(115,637)	(53,797)	(224,890)	(77,683)	(472,007)
Net book value					
As at January 1, 2019	976,839	57,873	129,838	19,380	1,183,930
As at December 31, 2019	941,972	50,868	98,675	22,278	1,113,793

(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	Total
Cost					
As at January 1, 2018	942,130	226,940	281,536	99,692	1,550,298
Additions	–	12	68,036	8,077	76,125
Transfer in/(out)	115,479	(122,489)	(522)	–	(7,532)
Disposals	–	–	(22,424)	(8,032)	(30,456)
As at December 31, 2018	1,057,609	104,463	326,626	99,737	1,588,435
Accumulated depreciation					
As at January 1, 2018	(51,491)	(22,371)	(182,040)	(81,470)	(337,372)
Change for the year	(29,744)	(17,258)	(43,112)	(6,198)	(96,312)
Transfer in/(out)	465	(6,961)	6,961	–	465
Disposals	–	–	21,403	7,311	28,714
As at December 31, 2018	(80,770)	(46,590)	(196,788)	(80,357)	(404,505)
Net book value					
As at January 1, 2018	890,639	204,569	99,496	18,222	1,212,926
As at December 31, 2018	976,839	57,873	129,838	19,380	1,183,930

As at December 31, 2019 and 2018, the original cost of the fully depreciated property and equipment that were still in use amounted to RMB230.58 million and RMB215.38 million, respectively.

The net book value of buildings located on land with the following remaining lease terms are as follows:

	As at December 31	
	2019	2018
– on medium-term leases (10 to 50 years)	**941,972**	976,839

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

40. Goodwill

Group

	As at December 31	
	2019	2018
Carrying amount		
At beginning of the year	**24,169,379**	23,123,316
Disposal of subsidiaries	**(98,905)**	(35)
Acquisition of subsidiaries	**106,324**	–
Exchange differences	**506,608**	1,046,098
At end of the year	**24,683,406**	24,169,379
Allowance for impairment losses		
At beginning of the year	**(1,130,562)**	(1,120,799)
Change for the year	**(4,282)**	(9,763)
At end of the year	**(1,134,844)**	(1,130,562)
Net book value		
At beginning of the year	**23,038,817**	22,002,517
At end of the year	**23,548,562**	23,038,817

VI. EXPLANATORY NOTES (continued)

40. Goodwill (continued)

Group (continued)

The goodwill acquired through the business combination of NCB, which was accounted for as the majority portion of the Group's goodwill as of December 31, 2019, 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 is fixed at 3%, 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 10.44% (Hong Kong) and 11.85% (Mainland China), respectively.

The Group management believes that there are no impairment indications of the goodwill acquired through the business combination of NCB and the key assumptions used to calculate the present value of future cash flow on NCB cash-generating units may change. Management holds that any reasonable fluctuation of key assumptions will not lead to a lower recoverable amount of the NCB cash-generating units compared with the book value of the goodwill, thus no impairment losses need to be recognized.

For the goodwill impairment testing, the Group make 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 information.

(Amounts in thousands of RMB, unless otherwise stated)

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, 2019	23,794	785,622	605,400	3,694,911	7,991	5,117,718
Increase resulting from subsidiaries purchased	–	21	–	–	–	21
Transfer to assets held for sale	–	(173,384)	–	–	–	(173,384)
Additions	–	205,529	–	–	–	205,529
Disposals	(5)	(1,751)	–	–	–	(1,756)
Exchange differences	31	3,417	13,529	82,568	179	99,724
Others	–	(226)	–	–	–	(226)
As at December 31, 2019	23,820	819,228	618,929	3,777,479	8,170	5,247,626
Accumulated amortization						
As at January 1, 2019	–	(395,704)	–	(477,259)	(2,037)	(875,000)
Transfer to assets held for sale	–	130,760	–	–	–	130,760
Change for the year	–	(102,362)	–	(185,552)	(792)	(288,706)
Disposals	–	1,707	–	–	–	1,707
Exchange differences	–	(485)	–	(13,987)	(60)	(14,532)
As at December 31, 2019	–	(366,084)	–	(676,798)	(2,889)	(1,045,771)
Net book value						
As at January 1, 2019	23,794	389,918	605,400	3,217,652	5,954	4,242,718
As at December 31, 2019	23,820	453,144	618,929	3,100,681	5,281	4,201,855

(Amounts in thousands of RMB, unless otherwise stated)

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, 2018	23,926	551,997	577,562	3,525,009	7,523	4,686,017
Increase resulting from subsidiaries purchased	–	1,233	–	–	–	1,233
Additions	–	227,371	–	–	102	227,473
Disposals	(132)	(1,862)	–	–	–	(1,994)
Exchange differences	–	6,883	27,838	169,902	366	204,989
As at December 31, 2018	23,794	785,622	605,400	3,694,911	7,991	5,117,718
Accumulated amortization						
As at January 1, 2018	–	(320,836)	–	(279,063)	(1,191)	(601,090)
Change for the year	–	(75,373)	–	(178,464)	(762)	(254,599)
Disposals	–	1,096	–	–	–	1,096
Exchange differences	–	(591)	–	(19,732)	(84)	(20,407)
As at December 31, 2018	–	(395,704)	–	(477,259)	(2,037)	(875,000)
Net book value						
As at January 1, 2018	23,926	231,161	577,562	3,245,946	6,332	4,084,927
As at December 31, 2018	23,794	389,918	605,400	3,217,652	5,954	4,242,718

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

41. Other intangible assets (continued)

Company

	Computer software systems and others	Total
Cost		
As at January 1, 2019	96,068	96,068
Additions	9,574	9,574
As at December 31, 2019	105,642	105,642
Accumulated amortization		
As at January 1, 2019	(64,050)	(64,050)
Change for the year	(16,260)	(16,260)
As at December 31, 2019	(80,310)	(80,310)
Net book value		
As at January 1, 2019	32,018	32,018
As at December 31, 2019	25,332	25,332

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

41. Other intangible assets (continued)

Company (continued)

	Computer software systems and others	Total
Cost		
As at January 1, 2018	66,631	66,631
Additions	29,437	29,437
As at December 31, 2018	96,068	96,068
Accumulated amortization		
As at January 1, 2018	(51,074)	(51,074)
Change for the year	(12,976)	(12,976)
As at December 31, 2018	(64,050)	(64,050)
Net book value		
As at January 1, 2018	15,557	15,557
As at December 31, 2018	32,018	32,018

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

42. Deferred taxation

For the purpose of presentation of the consolidated statement of financial position, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances:

Group

	As at December 31	
	2019	2018
Deferred tax assets		
– Continuing operations	**6,756,583**	6,159,808
– Discontinued operation	**1,279,149**	–
Deferred tax liabilities		
– Continuing operations	**(2,299,671)**	(2,387,044)
– Discontinued operation	**(68,710)**	–
Deferred taxation	**5,667,351**	3,772,764

(Amounts in thousands of RMB, unless otherwise stated)

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 land appreciation tax	Asset revaluation	Fair value adjustments in business combination	Staff costs accrued but not paid	Interest capitalized on properties held for sale	Tax losses	Provisions	Changes in fair value of financial assets at FVTPL	Temporary differences related to the cost of associates and joint ventures(i)	Changes in fair value and impairment losses on financial assets at FVOCI	Unrealized loss due to income rights transfer	Discontinued operation	Others	Total
As at January 1, 2019	5,498,527	358,526	(970,847)	(982,569)	1,019,293	495,521	380,871	203,205	1,736,051	(4,267,615)	176,930	-	-	124,871	3,772,764
Credit/(charge) to profit or loss	1,200,581	29,621	35,331	31,075	112,477	149,465	139,540	(106,472)	(1,469,354)	(419,669)	(4)	762,684	1,227,175	172,125	1,864,575
Charge to other comprehensive income/(expense)	-	-	-	-	2,289	-	-	-	-	(42,764)	(248,530)	-	(22,822)	-	(311,827)
Acquisitions of subsidiaries	-	-	-	(15,417)	-	-	-	-	-	-	-	-	-	-	(15,417)
Discontinued operation	-	-	-	-	-	-	(51,974)	-	-	-	45,888	-	6,086	-	-
Others	3,567	-	(18,064)	(13,812)	413	-	6,147	52	(2,501)	383,459	(421)	-	-	(1,584)	357,256
As at December 31, 2019	6,702,675	388,147	(953,580)	(980,723)	1,134,472	644,986	474,584	96,785	264,196	(4,346,589)	(26,137)	762,684	1,210,439	295,412	5,667,351

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

42. Deferred taxation (continued)

Group (continued)

	Allowance for impairment losses	Withholding land appreciation tax	Advance from sale of real estate	Asset revaluation	Fair value adjustments in business combination	Staff costs accrued but not paid	Interest capitalized on properties held for sale	Tax losses	Provisions	Changes in fair value of financial assets at FVTPL	Temporary differences related to the cost of associates and joint ventures(i)	Changes in fair value and impairment losses on financial assets at FVOCI	Others	Total
As at January 1, 2018	4,404,119	111,261	449,227	(1,002,345)	(678,904)	1,092,742	495,003	31,631	176,995	1,229,728	(3,909,179)	93,278	1,130	2,494,686
Credit/(charge) to profit or loss	963,372	238,690	–	70,430	25,661	(67,761)	(18,140)	268,279	25,558	476,089	(288,220)	4	145,599	1,839,561
Charge to other comprehensive income/(expense)	–	–	–	–	–	1,006	–	–	–	–	(41,437)	87,700	564	47,833
Acquisitions of subsidiaries	89,420	8,575	–	–	(335,905)	–	10,135	81,623	–	–	–	–	1,815	(144,337)
Others	41,616	–	(449,227)	(38,932)	6,579	(6,694)	8,523	(662)	652	30,234	(28,779)	(4,052)	(24,237)	(464,979)
As at December 31, 2018	5,498,527	358,526	–	(970,847)	(982,569)	1,019,293	495,521	380,871	203,205	1,736,051	(4,267,615)	176,930	124,871	3,772,764

(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 holding for long-term by the Group.

(Amounts in thousands of RMB, unless otherwise stated)

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	
	2019	2018
Unused tax losses	**11,637,614**	7,055,579
Deductible temporary differences	**2,928,241**	5,484,964
	14,565,855	12,540,543

As at December 31, 2019, the above unused tax loses would expire from 2020 to 2024 (As at December 31, 2018: from 2019 to 2023).

Company

	As at December 31	
	2019	2018
Deferred tax assets	**2,722,196**	2,416,834
Deferred tax liabilities	**–**	–
Deferred taxation	**2,722,196**	2,416,834

(Amounts in thousands of RMB, unless otherwise stated)

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, 2019	3,726,885	664,190	146,343	1,827,681	288,584	(4,222,439)	–	(14,410)	2,416,834
Credit/(charge) to profit or loss	1,094,372	25,027	(88,314)	(1,327,885)	(4)	(420,242)	762,684	124,153	169,791
Charge to other comprehensive income	–	–	–	–	(205,124)	(42,764)	–	–	(247,888)
Charge to capital reserve	–	–	–	–	–	383,459	–	–	383,459
As at December 31, 2019	4,821,257	689,217	58,029	499,796	83,456	(4,301,986)	762,684	109,743	2,722,196
As at January 1, 2018	2,493,171	695,847	114,215	1,261,288	(3,681)	(3,892,717)	–	(9,328)	658,795
Credit/(charge) to profit or loss	1,233,714	(31,657)	32,128	566,393	4	(288,285)	–	(5,082)	1,507,215
Charge to other comprehensive income	–	–	–	–	292,261	(41,437)	–	–	250,824
As at December 31, 2018	3,726,885	664,190	146,343	1,827,681	288,584	(4,222,439)	–	(14,410)	2,416,834

(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 holding for long-term by the Company.

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

43. Other assets

Group

	As at December 31	
	2019	2018
Other receivables (1)	**11,625,262**	6,623,815
Assets in satisfaction of debts (2)	**6,309,257**	3,895,221
Prepayments	**4,127,253**	1,245,776
Prepaid taxes	**2,207,861**	2,709,262
Dividends receivable	**1,545,985**	1,458,337
Right-of-use assets	**1,306,740**	–
Interest receivable	**484,201**	357,992
Notes receivable	**302,260**	741,668
Assets with continuing involvement (Note VI.69)	**237,392**	1,399,434
Precious metals	**225,035**	193,572
Long-term prepaid expenses	**192,749**	263,141
Land use rights	**–**	77,275
Statutory deposits (3)	**–**	2,142,147
Others	**296,859**	327,200
Total	**28,860,854**	21,434,840

Company

	As at December 31	
	2019	2018
Assets in satisfaction of debts (2)	**6,032,563**	3,694,779
Dividends receivable	**2,602,758**	2,538,988
Prepayments	**1,705,015**	58,675
Right-of-use assets	**847,633**	–
Other receivables (1)	**798,839**	1,212,885
Assets with continuing involvement (Note VI.69)	**237,392**	1,399,434
Interest receivable	**178,448**	199,130
Notes receivable	**174,762**	683,081
Long-term prepaid expenses	**18,143**	28,619
Land use rights	**–**	42,828
Others	**1,235**	627
Total	**12,596,788**	9,859,046

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

43. Other assets (continued)

(1) Other receivables

Group

	As at December 31	
	2019	2018
Other receivables	**12,635,049**	7,697,688
Less: Allowance for impairment losses	**1,009,787**	1,073,873
Net book value	**11,625,262**	6,623,815

Company

	As at December 31	
	2019	2018
Other receivables	**2,186,104**	2,163,375
Less: Allowance for impairment losses	**1,387,265**	950,490
Net book value	**798,839**	1,212,885

Other receivables mainly include guarantee deposits and accounts receivable relating to assets disposal within one year.

As at December 31, 2019, the carrying amount of other receivables was RMB12,635.05 million, in which the allowance for impairment losses was RMB1,009.79 million. The principal in Stage III amounted to RMB1,928.90 million, with the allowance for impairment losses amounting to RMB994.21 million.

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

43. Other assets (continued)

(2) 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	
	2019	2018
Buildings	**5,997,845**	3,661,897
Land use rights	**314,022**	167,087
Others	**345,696**	368,369
Subtotal	**6,657,563**	4,197,353
Less: Allowance for impairment losses	**348,306**	302,132
Net book value	**6,309,257**	3,895,221

Company

	As at December 31	
	2019	2018
Buildings	**5,829,873**	3,587,321
Land use rights	**314,022**	167,087
Others	**213,547**	227,055
Subtotal	**6,357,442**	3,981,463
Net book value	**6,032,563**	3,694,779

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

43. Other assets (continued)

(3) Statutory deposits

In accordance with the Insurance Law of the PRC and the Interim Measures for the Administration of the Capital Guarantee Funds of Insurance Companies (Baojianfa [2007] No.66) issued by the China Insurance Regulatory Commission, the Group's subsidiaries engaging in insurance business shall deposit at least 20% of their registered capital as statutory deposits in designated banks. Statutory deposits outlined above are only allowed to be used in paying off debts during the liquidation by insurance companies. Statutory deposits have been classified as held for sale.

44. Borrowings from central bank

Group

	As at December 31	
	2019	2018
Borrowings from central bank	**1,010,860**	986,058

Company

	As at December 31	
	2019	2018
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 and the rediscount of the central bank.

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

45. Accounts payable to brokerage clients

Group

	As at December 31	
	2019	2018
Personal customers	**11,933,196**	9,076,718
Corporate customers	**2,387,148**	1,239,124
Total	**14,320,344**	10,315,842

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 RMB11,232.95 million at December 31, 2019 (As at December 31, 2018: RMB7,866.87 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, 2019 and 2018, included in the Group's accounts payable to brokerage clients were cash collateral of approximately RMB1,310.40 million and RMB906.06 million received from clients for margin financing and securities lending arrangement, respectively.

As at December 31, 2019 and 2018, the Company had no accounts payable to brokerage clients.

(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	
	2019	2018
Derivative financial liabilities (Note VI.25.(1))	**542,857**	314,718
Short positions in exchange fund bills and notes	**4,522,399**	4,208,631
Total	**5,065,256**	4,523,349

Company

	As at December 31	
	2019	2018
Income guarantee and repurchase commitment	**717,977**	739,392
Total	**717,977**	739,392

47. Financial assets sold under repurchase agreements

Group

	As at December 31	
	2019	2018
By collateral type:		
Debt securities	**18,978,707**	11,956,611
Loans to margin clients	**500,000**	1,001,658
Subtotal	**19,478,707**	12,958,269
Interest payable	**16,883**	11,938
Total	**19,495,590**	12,970,207

The Company had no financial assets sold under repurchase agreements as at December 31, 2019 and 2018.

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

48. Placements from banks and financial institutions

Group

	As at December 31	
	2019	2018
Placements from banks	**13,820,783**	19,799,625
Placements from financial institutions	**244,167**	325,204
Subtotal	**14,064,950**	20,124,829
Interest payable	**19,869**	93,821
Total	**14,084,819**	20,218,650

The Company had no placements from banks and financial institutions as at December 31, 2019 and 2018.

49. Borrowings

Group

	As at December 31	
	2019	2018
Banks and other financial institutions borrowings		
Unsecured loans	**503,932,122**	535,913,172
Loans secured by properties	**8,251,987**	4,659,428
Other secured loans	**21,401,193**	26,857,385
Subtotal	**533,585,302**	567,429,985
Interest payable	**3,006,002**	3,440,165
Total	**536,591,304**	570,870,150

Loans secured by properties were collateralized by investment properties, properties held for sale, property and equipment at an aggregate carrying amount of RMB20,255 million as at December 31, 2019 (As at December 31, 2018: RMB21,606 million).

Other secured loans were collateralized by deposits with banks and financial institutions, interests in associates and joint ventures, and finance lease receivables at an aggregate carrying amount of RMB5,790 million as at December 31, 2019 (As at December 31, 2018: RMB3,636 million).

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

49. Borrowings (continued)

Group (continued)

	As at December 31	
	2019	2018
Carrying amount repayable*:		
Within one year	**412,328,796**	372,697,707
More than one year, but not exceeding two years	**65,190,249**	127,131,897
More than two years, but not exceeding five years	**18,430,123**	32,005,373
More than five years	**2,066,369**	713,896
Interest payable	**2,816,603**	3,234,174
Subtotal	**500,832,140**	535,783,047
Carrying amount of borrowings that contain a repayment on demand clause repayable*:		
Within one year	**546,067**	696,138
More than one year, but not exceeding two years	**15,718,741**	–
More than two years, but not exceeding five years	**1,734,099**	17,029,758
More than five years	**17,570,858**	17,155,216
Interest payable	**189,399**	205,991
Subtotal	**35,759,164**	35,087,103
Total	**536,591,304**	570,870,150

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

(Amounts in thousands of RMB, unless otherwise stated)

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	
	2019	2018
Fixed-rate borrowings:		
Within one year	**409,227,151**	370,836,456
More than one year, but not exceeding two years	**77,704,796**	126,588,166
More than two years, but not exceeding five years	**15,884,855**	48,587,841
More than five years	**18,730,624**	17,589,112
Subtotal	**521,547,426**	563,601,575
Interest payable	**2,968,355**	3,432,788
Total	**524,515,781**	567,034,363

In addition, the Group has variable-rate borrowings which carry interest based on borrowing or deposit benchmark interest rate of PBOC, Shanghai Inter-bank Offered Rate ("SHIBOR"), Hong Kong Inter-bank Offered Rate ("HIBOR"), London Inter-bank Offered Rate ("LIBOR") or the prime rate.

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	
	2019	2018
Effective interest rate		
Fixed-rate borrowings	**2.64%-23.00%**	1.40%-8.40%
Variable-rate borrowings	**2.48%-7.83%**	1.85%-7.83%

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

49. Borrowings (continued)

Company

	As at December 31	
	2019	2018
Bank borrowings		
Unsecured loans	**423,679,000**	453,654,700
Interest payable	**2,407,925**	2,807,535
Total	**426,086,925**	456,462,235
Carrying amount repayable*:		
Within one year	**358,679,000**	314,954,700
More than one year, but not exceeding two years	**55,000,000**	114,700,000
More than two years, but not exceeding five years	**10,000,000**	24,000,000
Subtotal	**423,679,000**	453,654,700
Interest payable	**2,407,925**	2,807,535
Total	**426,086,925**	456,462,235

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

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

49. Borrowings (continued)

Company (continued)

The exposure of the Company's fixed-rate borrowings by the remaining contractual maturity period is as follows:

	As at December 31	
	2019	2018
Fixed-rate borrowings:		
Within one year	**358,679,000**	314,954,700
More than one year, but not exceeding two years	**55,000,000**	114,700,000
More than two years, but not exceeding five years	**10,000,000**	24,000,000
Subtotal	**423,679,000**	453,654,700
Interest payable	**2,407,925**	2,807,535
Total	**426,086,925**	456,462,235

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	
	2019	2018
Effective interest rate		
Fixed-rate borrowings	**3.20%-6.45%**	3.85%-7.06%
Variable-rate borrowings	**–**	–

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

50. Due to customers

Group

	As at December 31	
	2019	2018
Demand deposits		
Corporate	**47,822,264**	47,376,723
Personal	**38,903,720**	39,407,741
Time deposits		
Corporate	**86,160,226**	86,118,498
Personal	**90,288,769**	70,787,827
Guarantee deposits	**10,363,607**	9,265,403
Subtotal	**273,538,586**	252,956,192
Interest payable	**1,667,180**	1,143,726
Total	**275,205,766**	254,099,918

The Company had no due to customers at the end of 2019 and 2018.

51. Deposits from banks and financial institutions

Group

	As at December 31	
	2019	2018
Banks	**1,403,302**	2,872,080
Other financial institutions	**12,625,758**	19,241,357
Subtotal	**14,029,060**	22,113,437
Interest payable	**128,068**	267,312
Total	**14,157,128**	22,380,749

The Company had no deposits from banks and financial institutions at the end of 2019 and 2018.

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

52. Accounts payable

Group

	As at December 31	
	2019	2018
Accounts payable associated with real estate business (1)	**4,539,013**	4,206,861
Asset purchase payable	**2,175**	171,126
Others	**509,609**	925,826
Total	**5,050,797**	5,303,813

Company

	As at December 31	
	2019	2018
Asset purchase payable	**–**	168,760
Total	**–**	168,760

(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.

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

53. Investment contract liabilities for policyholders

Group

	Year ended December 31	
	2019	2018
At beginning of the year	**13,206,016**	19,961,369
Deposits received	**2,162,972**	4,118,398
Deposits withdrawn	**(7,700,197)**	(10,873,751)
Transfer to liabilities held for sale	**(7,668,791)**	–
At end of the year	**–**	13,206,016

The Group has reclassified investment contract liabilities for policyholders to liabilities held for sale as at December 31, 2019.

The Company had no investment contract liabilities for policyholders at the end of 2019 and 2018.

54. Tax payable

Group

	As at December 31	
	2019	2018
PRC Enterprise income tax	**1,604,228**	3,750,025
PRC Land appreciation tax	**2,227,867**	1,721,947
Hong Kong profits tax	**499,684**	2,984
Total	**4,331,779**	5,474,956

Company

	As at December 31	
	2019	2018
PRC Enterprise income tax	**38,503**	1,700,450
Total	**38,503**	1,700,450

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

55. Insurance contract liabilities

Group

	January 1, 2019	Increase	Decrease	Transfer to liabilities held for sale	December 31, 2019
Short-term insurance contracts					
– Unearned premium reserves	**123,291**	**236,007**	**(231,150)**	**(128,148)**	**–**
– Outstanding claim reserves	**145,769**	**170,528**	**(152,815)**	**(163,482)**	**–**
Long-term life insurance contracts	**37,337,514**	**11,263,875**	**(6,874,391)**	**(41,726,998)**	**–**
Total	**37,606,574**	**11,670,410**	**(7,258,356)**	**(42,018,628)**	**–**

	January 1, 2018	Increase	Decrease	Transfer to liabilities held for sale	December 31, 2018
Short-term insurance contracts					
– Unearned premium reserves	101,185	202,473	(180,367)	–	123,291
– Outstanding claim reserves	84,838	138,133	(77,202)	–	145,769
Long-term life insurance contracts	39,380,141	10,627,331	(12,669,958)	–	37,337,514
Total	39,566,164	10,967,937	(12,927,527)	–	37,606,574

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

55. Insurance contract liabilities (continued)

Group (continued)

The remaining maturity analysis of the Group's insurance contract liabilities is as follows:

	As at December 31, 2019			As at December 31, 2018		
	Within 1 year	Over 1 year	Total	Within 1 year	Over 1 year	Total
Short-term insurance contracts						
– Unearned premium reserves	–	–	–	112,824	10,467	123,291
– Outstanding claim reserves	–	–	–	138,810	6,959	145,769
Long-term life insurance contracts	–	–	–	13,916	37,323,598	37,337,514
Total	–	–	–	265,550	34,341,024	37,606,574

The Group had reclassified insurance contract liabilities to liabilities held for sale as at December 31, 2019

The Company had no insurance contract liabilities at the end of 2019 and 2018.

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

56. Bonds issued

Group

Bond Name	Note	Face Value	Currency	Issue Date	Maturity Date	Bond Rate	As at December 31 2019	As at December 31 2018
2014 Financial bonds (5-year)	(1)	10,000,000	RMB	2014/5	2019/5	5.35%	**–**	10,308,577
2015 Financial bonds (5-year)	(1)	10,000,000	RMB	2015/5	2020/5	4.30%	**10,257,119**	10,249,017
2015-II Financial bonds (5-year)	(1)	4,000,000	RMB	2015/9	2020/9	3.75%	**4,039,049**	4,038,254
2015-II Financial bonds (10-year)	(1)	10,000,000	RMB	2015/9	2025/9	4.60%	**10,115,008**	10,114,314
2016 Tier-II Capital bonds (10-year)	(2)	10,000,000	RMB	2016/6	2026/6	3.70%	**10,189,368**	10,183,114
2017 Financial bonds (3-year)	(1)	2,000,000	RMB	2017/4	2020/4	4.30%	**2,061,405**	2,060,684
2017 Financial bonds (5-year)	(1)	4,000,000	RMB	2017/4	2022/4	4.40%	**4,124,058**	4,123,232
2017 Financial bonds (10-year)	(1)	24,000,000	RMB	2017/4	2027/4	4.75%	**24,795,662**	24,793,825
2017 Cinda Ningyuan-I ABS	(18)	4,530,943	RMB	2017/11	2018/3-2019/3	4.80%-5.15%	**–**	1,013,626
2018-I Financial bonds (10-year)	(1)	15,000,000	RMB	2018/1	2028/1	5.50%	**15,762,374**	15,762,217
2018-II Financial bonds (10-year)	(1)	11,000,000	RMB	2018/3	2028/3	5.50%	**11,477,834**	11,477,707
2018 Cinda Ningyuan-II-1 ABS	(18)	9,517,000	RMB	2018/5	2018/9-2019/7	4.70%-5.05%	**–**	4,732,416
2018 Cinda Ningyuan-II-2 ABS	(18)	10,318,000	RMB	2018/6	2019/3-2019/12	5.00%-5.15%	**–**	10,618,367
2018 Cinda Ningyuan-II-3 ABS	(18)	9,818,000	RMB	2018/7	2018/12-2021/6	4.20%-5.15%	**5,192,037**	8,600,459
2018 Cinda Ningyuan-II-4 ABS	(18)	9,650,000	RMB	2018/9	2018/12-2021/6	3.20%-4.80%	**4,983,414**	7,625,188
2018 Cinda Ningyuan-II-5 ABS	(18)	9,920,000	RMB	2018/11	2019/3-2020/10	3.55%-4.35%	**3,927,077**	9,962,690
2019 Cinda Xinze-I-1 ABS	(18)	9,820,000	RMB	2019/3	2019/6-2021/10	3.10%-3.95%	**5,877,340**	–
2019 Cinda Xinze-I-2 ABS	(18)	9,920,000	RMB	2019/5	2019/12-2022/1	3.33%-4.15%	**8,390,064**	–
2019 Cinda Xinze-I-3 ABS	(18)	9,920,000	RMB	2019/6	2019/9-2022/1	3.25%-3.95%	**8,644,580**	–
2019 Cinda Xinhe-I-1 ABS	(18)	5,990,000	RMB	2019/6	2022/1-2022/7	4.80%-7.00%	**5,648,000**	–
2019 Cinda Xinze-I-4 ABS	(18)	9,920,000	RMB	2019/7	2019/12-2021/12	2.98%-3.90%	**8,092,976**	–
2019 Cinda Xinze-I-5 ABS	(18)	9,980,000	RMB	2019/10	2019/12-2022/5	2.90%-3.70%	**7,408,737**	–
2019 Cinda Xinze-I-6 ABS	(18)	9,930,000	RMB	2019/12	2020/9-2022/11	3.40%-3.80%	**9,957,465**	–
2015 Capital supplement bonds	(3)	3,000,000	RMB	2015/12	2025/12	4.00%	**–**	3,001,055
2018 Capital supplement bonds	(3)	3,000,000	RMB	2018/11	2023/11	5.20%	**–**	3,014,616
2017-I Subordinate bonds	(4)	3,000,000	RMB	2017/2	2020/2	4.99%	**3,127,963**	3,127,963
2017-II Subordinate bonds	(4)	3,000,000	RMB	2017/3	2020/3	5.12%	**3,122,038**	3,122,038
2017-I Corporation bonds (3-year)	(19)	2,500,000	RMB	2017/7	2020/7	5.05%	**2,554,998**	2,554,997
2019-I Subordinate bonds	(4)	1,700,000	RMB	2019/3	2022/3	4.55%	**1,761,244**	–
2019-II Subordinate bonds	(4)	900,000	RMB	2019/7	2022/7	4.64%	**919,450**	–
Beneficiary certificates-VII	(4)	1,000,000	RMB	2017/5	2019/5	5.50%	**–**	1,033,151

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

56. Bonds issued (continued)

Group (continued)

Bond Name	Note	Face Value	Currency	Issue Date	Maturity Date	Bond Rate	As at December 31 2019	2018
Beneficiary certificates-VIII	(4)	500,000	RMB	2017/6	2019/5	5.48%	**–**	500,826
Beneficiary certificates-IX	(4)	380,000	RMB	2017/6	2019/6	5.35%	**–**	380,613
Beneficiary certificates-X	(4)	120,000	RMB	2017/6	2019/6	5.35%	**–**	120,193
Beneficiary certificates-XII	(4)	600,000	RMB	2018/3	2020/3	6.27%	**111,526**	105,256
Beneficiary certificates-XIV	(4)	100,000	RMB	2019/7	2021/7	4.60%	**102,042**	–
Beneficiary certificates-XV	(4)	500,000	RMB	2019/9	2021/9	4.45%	**507,132**	–
Beneficiary certificates-XVII	(4)	300,000	RMB	2019/10	2021/10	4.45%	**300,402**	–
Beneficiary certificates-XVIII	(4)	200,000	RMB	2019/11	2021/11	4.33%	**200,854**	–
Xinke beneficiary certificates-VII	(4)	1,400	RMB	2019/12	2020/1	6.00%	**1,402**	–
Xinke beneficiary certificates-VIII	(4)	900	RMB	2019/12	2020/1	6.00%	**900**	–
HKD bonds	(11)	10,000	HKD	2013/12	2020/9	4.00%	**9,070**	8,875
HKD bonds	(29)	20,000	HKD	2014/7	2021/7	4.00%	**9,070**	17,843
HKD bonds	(29)	12,000	HKD	2014/9	2021/9	4.00%	**10,884**	8,870
HKD bonds	(29)	10,000	HKD	2014/10	2021/10	4.00%	**9,070**	10,595
HKD bonds	(11)	10,000	HKD	2016/3	2021/3	4.00%	**9,070**	8,861
2015 Corporation bonds	(5)	3,000,000	RMB	2015/12	2023/12	3.80%	**2,995,095**	2,993,197
2016-I Corporation bonds (8-year)	(5)	2,000,000	RMB	2016/1	2024/1	3.70%	**2,064,502**	2,063,238
2016-I Corporation bonds (5-year)	(25)	3,000,000	RMB	2016/5	2021/5	4.70%	**–**	3,081,846
2016-II Corporation bonds (5-year)	(6)	5,000,000	RMB	2016/8	2021/8	4.30%	**1,650,437**	5,062,935
2015-I Mid-term notes	(7)	1,500,000	RMB	2015/6	2020/6	5.80%	**1,547,928**	1,550,152
2015-II Mid-term notes	(7)	1,400,000	RMB	2015/8	2020/8	5.50%	**1,428,541**	1,427,513
2015-III Mid-term notes	(7)	100,000	RMB	2015/12	2020/12	5.50%	**102,010**	100,804
2019-I Corporation bonds (3-year)	(6)	3,000,000	RMB	2019/5	2022/5	4.94%	**3,091,946**	–
2019-I Corporation bonds (5-year)	(6)	400,000	RMB	2019/8	2024/8	3.89%	**405,200**	–
2019-II Corporation bonds	(6)	600,000	RMB	2019/8	2022/8	4.27%	**608,136**	–
2019-III Corporation bonds	(6)	2,375,000	RMB	2019/8	2022/8	4.68%	**2,415,696**	–
2019 Sanya Tianyu ABS	(28)	1,995,000	RMB	2019/9	2037/9	5.19%	**2,020,196**	–
2016-I Corporation bonds (5-year)	(8)	2,500,000	RMB	2016/3	2021/2	5.30%	**2,590,338**	2,578,144
2016-II Corporation bonds (5-year)	(8)	500,000	RMB	2016/3	2021/3	5.10%	**471,296**	513,711
2016-I Corporation bonds (3-year)	(9)	3,000,000	RMB	2016/5	2019/5	6.70%	**–**	3,028,521
2016-II Corporation bonds (3-year)	(9)	3,000,000	RMB	2016/8	2019/8	6.99%	**–**	1,550,233

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

56. Bonds issued (continued)

Group (continued)

Bond Name	Note	Face Value	Currency	Issue Date	Maturity Date	Bond Rate	As at December 31 2019	2018
2018-I Debt financing plans	(20)	900,000	RMB	2018/11	2020/11	6.80%	**906,708**	906,213
2018-I Mid-term notes	(21)	2,000,000	RMB	2018/12	2021/12	4.56%	**1,997,808**	1,994,602
2018-I Debt financing instruments	(22)	1,000,000	RMB	2018/12	2021/12	5.68%	**1,002,801**	1,002,801
2018-II Debt financing instruments	(22)	1,000,000	RMB	2018/12	2021/12	5.97%	**1,001,145**	1,001,145
2019 Cinda-I ABN	(23)	950,000	RMB	2019/1	2019/7-2028/1	5.30%-5.50%	**909,218**	–
2019-I Corporation bonds (3-year)	(24)	1,500,000	RMB	2019/1	2022/1	5.50%	**1,577,530**	–
2019-II Corporation bonds (3-year)	(9)	2,700,000	RMB	2019/5	2022/5	4.98%	**2,782,172**	–
2019-III Corporation bonds (3-year)	(9)	700,000	RMB	2019/7	2022/7	4.90%	**718,706**	–
2019-I Debt financing plans	(27)	1,300,000	RMB	2019/11	2022/11	5.50%	**1,301,881**	–
2019-II Debt financing plans	(27)	400,000	RMB	2019/11	2020/5-2021/11	6.20%	**398,512**	–
2019-III Debt financing plans	(27)	381,000	RMB	2019/12	2022/12	6.37%	**381,399**	–
2016-I Financial bonds (3-year)	(10)	2,000,000	RMB	2016/6	2019/6	3.81%	**–**	2,042,946
2016-II Financial bonds (3-year)	(10)	3,000,000	RMB	2016/8	2019/8	3.15%	**–**	3,034,083
2019 Financial bonds (3-year)	(10)	3,000,000	RMB	2019/3	2022/3	3.78%	**3,082,157**	–
USD Guaranteed senior notes	(12)	1,000,000	USD	2014/5	2019/5	4.00%	**–**	6,863,911
USD Guaranteed senior notes	(12)	500,000	USD	2014/5	2024/5	5.625%	**3,465,428**	3,412,609
USD Guaranteed senior notes	(13)	230,000	USD	2014/12	2029/12	5.20%	**1,590,597**	1,564,951
USD Guaranteed senior notes	(13)	90,000	USD	2015/2	2029/12	5.20%	**625,608**	615,751
USD Guaranteed senior notes	(13)	1,300,000	USD	2015/4	2020/4	3.125%	**9,116,035**	8,995,150
USD Guaranteed senior notes	(13)	1,700,000	USD	2015/4	2025/4	4.25%	**11,902,861**	11,659,361
USD Guaranteed senior notes	(13)	100,000	USD	2015/2	2030/2	5.20%	**706,171**	694,304
USD Guaranteed senior notes	(13)	80,000	USD	2015/3	2022/3	4.45%	**564,173**	554,547
USD Guaranteed senior notes	(13)	300,000	USD	2017/3	2020/3	3.00%	**2,111,618**	2,138,490
USD Guaranteed senior notes	(13)	1,300,000	USD	2017/3	2022/3	3.65%	**9,148,254**	8,905,821
USD Guaranteed senior notes	(13)	700,000	USD	2017/3	2024/3	4.10%	**4,926,334**	4,846,346
USD Guaranteed senior notes	(13)	700,000	USD	2017/3	2027/3	4.40%	**4,920,910**	4,787,676
USD Guaranteed senior notes	(12)	545,000	USD	2017/12	2037/12	4.75%	**3,782,339**	3,733,677
USD Guaranteed senior notes	(13)	800,000	USD	2018/2	2023/2	3.88%	**5,634,390**	5,511,730
USD Guaranteed senior notes	(13)	300,000	USD	2018/2	2025/2	4.38%	**2,118,225**	2,202,149
USD Guaranteed senior notes	(13)	1,200,000	USD	2018/2	2028/2	4.75%	**8,479,038**	8,279,761
USD Guaranteed senior notes	(13)	200,000	USD	2018/2	2048/2	5.00%	**1,396,366**	1,381,762

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

56. Bonds issued (continued)

Group (continued)

Bond Name	Note	Face Value	Currency	Issue Date	Maturity Date	Bond Rate	As at December 31 2019	2018
USD Guaranteed senior notes	(12)	200,000	USD	2019/2	2022/2	3.75%	**1,406,601**	–
USD Guaranteed senior notes	(12)	200,000	USD	2019/2	2024/2	4.00%	**1,400,109**	–
USD Guaranteed senior notes	(12)	600,000	USD	2019/2	2029/2	4.75%	**4,233,813**	–
2016 Corporation bonds (5-year)	(14)	600,000	RMB	2016/4	2021/4	4.60%	**323,673**	618,111
2016 Corporation bonds (4-year)	(15)	800,000	RMB	2016/4	2020/4	4.98%	**617,841**	322,836
NCB 2019 Tier-II Subordinate notes	(26)	700,000	USD	2019/11	2029/11	3.80%	**4,871,598**	–
2016-I Financial bonds	(16)	500,000	RMB	2016/12	2021/12	4.67%	**500,766**	500,766
2017-I Financial bonds	(16)	2,500,000	RMB	2017/3	2022/3	5.03%	**2,600,932**	2,600,929
18 NCB China CD010	(17)	150,000	RMB	2018/4	2019/1	4.20%	**–**	149,681
18 NCB China CD018	(17)	300,000	RMB	2018/5	2019/5	4.55%	**–**	295,493
18 NCB China CD020	(17)	50,000	RMB	2018/6	2019/4	4.55%	**–**	49,452
18 NCB China CD023	(17)	300,000	RMB	2018/7	2019/7	4.30%	**–**	293,664
18 NCB China CD024	(17)	400,000	RMB	2018/7	2019/7	4.30%	**–**	391,461
18 NCB China CD025	(17)	100,000	RMB	2018/10	2019/4	3.30%	**–**	98,986
2018-I Financial bonds	(16)	2,500,000	RMB	2018/10	2021/10	4.15%	**2,520,271**	2,519,722
2018-II Financial bonds	(16)	500,000	RMB	2018/10	2023/10	4.40%	**504,498**	504,493
2018-III Financial bonds	(16)	2,000,000	RMB	2018/11	2023/11	4.35%	**2,010,187**	2,009,953
19 NCB China CD001	(17)	100,000	RMB	2019/1	2020/1	3.10%	**99,835**	–
19 NCB China CD002	(17)	100,000	RMB	2019/2	2020/2	3.10%	**99,596**	–
19 NCB China CD003	(17)	290,000	RMB	2019/2	2020/2	3.10%	**288,751**	–
19 NCB China CD004	(17)	200,000	RMB	2019/2	2020/3	3.13%	**199,002**	–
19 NCB China CD011	(17)	100,000	RMB	2019/12	2020/3	3.15%	**99,360**	–
19 NCB China CD012	(17)	450,000	RMB	2019/12	2020/3	3.14%	**447,088**	–
19 NCB China CD013	(17)	1,000,000	RMB	2019/12	2020/6	3.15%	**985,258**	–
Total							**304,849,566**	283,115,066

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

56. Bonds issued (continued)

Company

Bond Name	Note	Face Value	Currency	Issue Date	Maturity Date	Bond Rate	As at December 31 2019	As at December 31 2018
2014 Financial bonds (5-year)	(1)	10,000,000	RMB	2014/5	2019/5	5.35%	–	10,308,577
2015 Financial bonds (5-year)	(1)	10,000,000	RMB	2015/5	2020/5	4.30%	**10,254,902**	10,241,192
2015-II Financial bonds (5-year)	(1)	4,000,000	RMB	2015/9	2020/9	3.75%	**4,035,599**	4,030,205
2015-II Financial bonds (10-year)	(1)	10,000,000	RMB	2015/9	2025/9	4.60%	**10,080,558**	10,074,728
2016 Tier-II Capital bonds (10-year)	(2)	10,000,000	RMB	2016/6	2026/6	3.70%	**10,178,475**	10,165,059
2017 Financial bonds (3-year)	(1)	2,000,000	RMB	2017/4	2020/4	4.30%	**2,060,320**	2,055,835
2017 Financial bonds (5-year)	(1)	4,000,000	RMB	2017/4	2022/4	4.40%	**4,113,451**	4,108,309
2017 Financial bonds (10-year)	(1)	24,000,000	RMB	2017/4	2027/4	4.75%	**24,693,949**	24,680,693
2017 Cinda Ningyuan-I ABS	(18)	4,530,943	RMB	2017/11	2018/3-2019/3	4.80%-5.15%	–	1,013,626
2018-I Financial bonds (10-year)	(1)	15,000,000	RMB	2018/1	2028/1	5.50%	**15,690,769**	15,683,712
2018-II Financial bonds (10-year)	(1)	11,000,000	RMB	2018/3	2028/3	5.50%	**11,424,696**	11,419,561
2018 Cinda Ningyuan-II-1 ABS	(18)	9,517,000	RMB	2018/5	2018/9-2019/7	4.70%-5.05%	–	4,726,322
2018 Cinda Ningyuan-II-2 ABS	(18)	10,318,000	RMB	2018/6	2019/3-2019/12	5.00%-5.15%	–	10,610,091
2018 Cinda Ningyuan-II-3 ABS	(18)	9,818,000	RMB	2018/7	2018/12-2021/6	4.20%-5.15%	**5,182,092**	8,584,507
2018 Cinda Ningyuan-II-4 ABS	(18)	9,650,000	RMB	2018/9	2018/12-2021/6	3.20%-4.80%	**4,972,593**	7,608,493
2018 Cinda Ningyuan-II-5 ABS	(18)	9,920,000	RMB	2018/11	2019/3-2020/10	3.55%-4.35%	**3,918,540**	9,944,933
2019 Cinda Xinze-I-1 ABS	(18)	9,820,000	RMB	2019/3	2019/6-2021/10	3.10%-3.95%	**5,871,980**	–
2019 Cinda Xinze-I-2 ABS	(18)	9,920,000	RMB	2019/5	2019/12-2022/1	3.33%-4.15%	**8,383,371**	–
2019 Cinda Xinze-I-3 ABS	(18)	9,920,000	RMB	2019/6	2019/9-2022/1	3.25%-3.95%	**8,635,624**	–
2019 Cinda Xinze-I-4 ABS	(18)	9,920,000	RMB	2019/7	2019/12-2021/12	2.98%-3.90%	**8,083,227**	–
2019 Cinda Xinze-I-5 ABS	(18)	9,980,000	RMB	2019/10	2019/12-2022/5	2.90%-3.70%	**7,396,891**	–
2019 Cinda Xinze-I-6 ABS	(18)	9,930,000	RMB	2019/12	2020/9-2022/11	3.40%-3.80%	**9,939,779**	–
Total							**154,916,816**	145,255,843

VI. EXPLANATORY NOTES (continued)

56. Bonds issued (continued)

(1) The financial bonds issued by the Company have fixed coupon rates, payable annually.

(2) The tier-II capital bonds issued by the Company have a fixed coupon rate, payable annually, conditionally redeemable on the last day of the fifth year. The Company has the right to early redeem the bonds at face value in full subject to the approval of the CBIRC.

(3) The capital supplement bonds issued by Happy Life Insurance Co., Ltd., a subsidiary of the Company, have a fixed coupon rate, payable annually. The subsidiary has an option to redeem the bonds in December 2020. If the subsidiary does not exercise this option, the coupon rate of the bonds will increase by 1% per annum from January 2021 onwards. At December 31, 2019, the bonds are classified to the assets and liabilities held for sale (Note VI.76.3).

(4) The subordinate bonds and beneficiary certificates issued by Cinda Securities Co., Ltd. ("Cinda Securities"), a subsidiary of the Company, have fixed coupon rates, payable annually.

(5) The corporation bonds issued by Cinda Investment Co., Ltd. ("Cinda Investment"), a subsidiary of the Company, have fixed coupon rates, payable annually. The subsidiary shall be entitled to adjust the coupon rate, and the investors shall be entitled to sell back the relevant corporate bonds to the subsidiary, at the end of the fifth year.

(6) The corporation bonds issued by Cinda Investment, a subsidiary of the Company, have fixed coupon rates, payable annually. The subsidiary shall be entitled to adjust the coupon rates, and the investors shall be entitled to sell back the relevant corporate bonds to the subsidiary, at the end of the third year.

(7) The mid-term notes issued by Cinda Real Estate Co., Ltd. ("Cinda Real Estate"), a subsidiary of the Cinda Investment, have fixed coupon rates, payable annually.

(8) The corporation bonds issued by Cinda Real Estate, a subsidiary of Cinda Investment, have fixed coupon rates, payable annually. The subsidiary shall be entitled to adjust the coupon rate, and the investors shall be entitled to sell back the relevant corporate bonds to the subsidiary, at the end of the third year.

(9) The corporation bonds issued by Cinda Real Estate, a subsidiary of Cinda Investment, have fixed coupon rates, payable annually. The subsidiary shall be entitled to adjust the coupon rates, and the investors shall be entitled to sell back the relevant corporate bonds to the subsidiary, at the end of the second year.

(10) The financial bonds issued by Cinda Financial Leasing Co., Ltd., a subsidiary of the company, have a fixed coupon rate, payable annually.

(11) The HKD bonds issued by Cinda International holdings limited, a subsidiary of Cinda Securities Co., Ltd., have fixed coupon rates, payable semi-annually.

(12) The USD Guaranteed Senior Notes (the "USD Notes") issued by China Cinda Finance Limited, a subsidiary of China Cinda Hong Kong Holdings Company Limited ("Cinda Hong Kong"), 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.

(13) USD Notes issued by China Cinda Finance Limited, a subsidiary of Cinda Hong Kong, have fixed coupon rates, payable semi-annually. There is no early redemption option in accordance with relevant subscription agreement.

(14) The corporation bonds issued by Well Kent International Enterprises (Shenzhen) Co., Ltd., a subsidiary of Cinda Hong Kong, have fixed coupon rates, payable annually. The subsidiary shall be entitled to adjust the coupon rate, and the investors shall be entitled to sell back the relevant corporate bonds to the subsidiary, at the end of the third year.

(15) The corporation bonds issued by Well Kent International Enterprises (Shenzhen) Co., Ltd., a subsidiary of Cinda Hong Kong, have fixed coupon rates, payable annually. The subsidiary shall be entitled to adjust the coupon rate, and the investors shall be entitled to sell back the relevant corporate bonds to the subsidiary, at the end of the second year.

VI. EXPLANATORY NOTES (continued)

56. Bonds issued (continued)

(16) The financial bonds issued by Nanyang Commercial Bank (China) Limited ("NCB China"), a subsidiary of Cinda Hong Kong, have fixed coupon rates, payable annually.

(17) The deposit certificates were issued by NCB China.

(18) The asset-backed securities are issued by the Company.

(19) The corporation bonds issued by Cinda Securities, a subsidiary of the Company, have fixed coupon rates, payable annually.

(20) The debt financing plans issued by Cinda Investment, a subsidiary of the Company, have fixed coupon rates, payable annually.

(21) The mid-term notes issued by Cinda Investment, a subsidiary of the Company, have fixed coupon rates, payable annually.

(22) The debt financing instruments issued by Cinda Real Estate, a subsidiary of the Cinda Investment, have fixed coupon rates, payable annually. The subsidiary shall be entitled to adjust the coupon rate, and the investors shall be entitled to sell back the relevant debt financing instruments to the subsidiary, at the end of the second year.

(23) The asset-backed medium-term notes are issued by Cinda Real Estate Co., Ltd., a subsidiary of Cinda Investment.

(24) The corporation bonds issued by Cinda Real Estate Co., Ltd., a subsidiary of Cinda Investment, have fixed coupon rates, payable annually.

(25) The corporation bonds issued by Cinda Investment, a subsidiary of the Company, have fixed coupon rates, payable annually. The subsidiary shall be entitled to adjust the coupon rates and the investors shall be entitled to sell back the relevant corporate bonds to the subsidiary at the end of the third year. If the investors did not exercise this option, the coupon rate of the bonds would be dropped to 4.0% per annum from May 2019 onwards. The investors exercised the option to sell back the corporation bonds in whole in May 2019 and June 2019.

(26) The subordinate notes issued by Nanyang Commercial Bank (China) Limited ("NCB China"), a subsidiary of Cinda Hong Kong, have fixed coupon rates, payable annually.

(27) The debt financing plans issued by Cinda Real Estate, a subsidiary of the Cinda Investment, have fixed coupon rates, payable annually.

(28) The asset-backed securities are issued by Cinda Real Estate, a subsidiary of the Cinda Investment.

(29) The HKD bonds issued by Cinda International holding limited, a subsidiary of Cinda Securities, have fixed coupon rates, payable semi-annually. The subsidiary and investor shall be entitled to extend the maturity date at the end of the fifth year. In July and September 2019, the investors extend the bond maturity date by 24 months through exercising the extension option.

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

57. Contract liabilities

Group

	As at December 31	
	2019	2018
Sales proceeds received in advance (1)	**22,994,982**	23,486,561
Others	**1,092,054**	1,554,423
Total	**24,087,036**	25,040,984

(1) Sales proceeds received in advance

	2019	2018
At beginning of the year	**23,486,561**	13,941,442
Deferred during the year	**17,699,437**	25,004,035
Recognized as revenue during the year	**(18,191,016)**	(15,458,916)
At end of the year	**22,994,982**	23,486,561

As at December 31, 2019, 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.

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

58. Other liabilities

Group

	As at December 31	
	2019	2018
Other payables	**14,487,437**	12,265,735
Items in the process of clearance and settlement	**9,387,282**	4,781,470
Staff costs payable (1)	**6,548,895**	6,268,145
Risk deposit	**4,405,749**	5,132,210
Payables to interest holders of consolidated structured entities (Note VI.36)	**3,862,357**	9,199,844
Receipts in advance associated with disposal of distressed assets	**1,340,962**	678,341
Long-term payable	**1,333,437**	2,833,637
Lease liabilities	**1,236,872**	–
Sundry taxes payable	**975,741**	974,435
Provisions (2)	**921,133**	1,107,868
Deferred income related to leasing business	**770,527**	1,018,064
Receipts in advance	**359,030**	493,067
Liabilities related to insurance business	**–**	1,580,915
Liabilities with continuing involvement (Note VI.69)	**–**	1,399,434
Others	**716,069**	958,202
Total	**46,345,491**	48,691,367

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

58. Other liabilities (continued)

Group (continued)

(1) Staff costs payable

	2019			
	As at January 1	**Increase in the current year**	**Decrease in the current year**	**As at December 31**
Wages or salaries, bonuses, allowances and subsidies	**5,669,814**	**5,275,611**	**(5,071,140)**	**5,874,285**
Social insurance	**40,373**	**319,832**	**(283,209)**	**76,996**
Defined contribution plans	**33,578**	**564,178**	**(530,037)**	**67,719**
Defined benefit plans (i)	**99,799**	**18,480**	**(636)**	**117,643**
Housing funds	**6,193**	**232,108**	**(235,690)**	**2,611**
Labor union fees and staff education expenses	**326,355**	**149,286**	**(146,796)**	**328,845**
Others	**92,033**	**360,676**	**(371,913)**	**80,796**
Total	**6,268,145**	**6,920,171**	**(6,639,421)**	**6,548,895**

	2018			
	As at January 1	Increase in the current year	Decrease in the current year	As at December 31
Wages or salaries, bonuses, allowances and subsidies	5,550,303	4,891,935	(4,772,424)	5,669,814
Social insurance	84,282	287,339	(331,248)	40,373
Defined contribution plans	34,709	556,582	(557,713)	33,578
Defined benefit plans (i)	88,080	3,860	7,859	99,799
Housing funds	5,642	235,644	(235,093)	6,193
Labor union fees and staff education expenses	330,154	155,367	(159,166)	326,355
Others	1,365	338,740	(248,072)	92,033
Total	6,094,535	6,469,467	(6,295,857)	6,268,145

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

58. 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:

	2019	2018
At beginning of the year	**99,799**	88,080
Current service cost	**2,235**	2,260
Past service cost – plan changes	**106**	(330)
Interest cost	**2,270**	1,930
Actuarial gains/(losses) on remeasurement	**13,869**	6,094
Benefit paid	**(3,142)**	(2,734)
Exchange differences	**2,506**	4,499
At end of the year	**117,643**	99,799

Principal actuarial assumptions used are as follows:

	As at December 31	
	2019	2018
Discount rate	**1.8%**	2.3%
Expected rate of medical insurance cost increases	**6%**	6%
Expected rate of social entertainment cost increases	**0%**	0%
Expected rate of retirement souvenir cost increases	**0%**	0%
Expected rate of rental increases	**3%**	3%
Expected rate of withdrawal	**3%-18%**	3%-18%
Expected death rate	**Hong Kong Life Tables 2018**	Hong Kong Life Tables 2017

(2) Movements of provisions

	2019	2018
At beginning of the year	**1,107,868**	866,805
Provided for the year	**615,215**	964,752
Settled/Reversed	**(801,950)**	(723,689)
At end of the year	**921,133**	1,107,868

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

58. Other liabilities (continued)

Company

	As at December 31	
	2019	2018
Other payables	**4,061,205**	4,692,305
Staff costs payable (1)	**3,256,625**	3,132,482
Receipts in advance associated with disposal of distressed assets	**1,340,962**	678,341
Lease liabilities	**821,264**	–
Provisions (2)	**316,908**	617,339
Sundry taxes payable	**280,718**	364,088
Liabilities with continuing involvement (Note VI.69)	**–**	1,399,434
Others	**84,633**	81,556
Total	**10,162,315**	10,965,545

(1) Staff costs payable

	2019			
	As at January 1	Increase in the current year	Decrease in the current year	As at December 31
Wages or salaries, bonuses, allowances and subsidies	**2,977,342**	**1,383,350**	**(1,308,305)**	**3,052,387**
Social insurance	**16,063**	**116,319**	**(75,592)**	**56,790**
Defined contribution plans	**4,007**	**191,604**	**(192,177)**	**3,434**
Housing funds	**323**	**63,931**	**(63,933)**	**321**
Labor union fees and staff education expenses	**134,106**	**48,417**	**(38,862)**	**143,661**
Others	**641**	**111,627**	**(112,236)**	**32**
Total	**3,132,482**	**1,915,248**	**(1,791,105)**	**3,256,625**

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

58. Other liabilities (continued)

Company (continued)

(1) Staff costs payable (continued)

	2018			
	As at January 1	Increase in the current year	Decrease in the current year	As at December 31
Wages or salaries, bonuses, allowances and subsidies	3,036,505	1,168,391	(1,227,554)	2,977,342
Social insurance	65,061	91,776	(140,774)	16,063
Defined contribution plans	3,288	214,212	(213,493)	4,007
Housing funds	416	67,938	(68,031)	323
Labor union fees and staff education expenses	154,542	40,894	(61,330)	134,106
Others	905	(484)	220	641
Total	3,260,717	1,582,727	(1,710,962)	3,132,482

(2) Movements of provisions

	2019	2018
At beginning of the year	**617,339**	491,274
Provided for the year	**55,981**	167,518
Settled/Reversed	**(356,412)**	(41,453)
At end of the year	**316,908**	617,339

VI. EXPLANATORY NOTES (continued)

59. Share capital

Group and Company

	Year ended December 31	
	2019	2018
Authorized, issued and fully paid:		
At beginning of the year	**38,164,535**	38,164,535
Issue of shares	**–**	–
At end of the year	**38,164,535**	38,164,535

A summary of the movements of the Company's issued shares (in thousands of shares) during the year is as follows:

	2019			
	As at January 1	**Issuance**	**Transfer**	**As at December 31**
Domestic shares				
– MOF(1)	**24,596,932**	**–**	**(2,459,693)**	**22,137,239**
– NCSSF(1)	**–**	**–**	**2,459,693**	**2,459,693**
H shares	**13,567,603**	**–**	**–**	**13,567,603**
Total	**38,164,535**	**–**	**–**	**38,164,535**

	2018			
	As at January 1	Issuance	Transfer	As at December 31
Domestic shares				
– MOF	24,596,932	–	–	24,596,932
H shares	13,567,603	–	–	13,567,603
Total	38,164,535	–	–	38,164,535

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

59. Share capital (continued)

Group and Company (continued)

(1) The Ministry of Finance transferred 2,459,693,232 domestic Shares to the National Council for Social Security Fund ("NCSSF") on December 27, 2019 in accordance with the Notice on fully Implementing the Work of Transferring Part of State-owned Assets to Enrich Social Security Funds (Cai Zi [2019] No.49).

As at December 31, 2019, no share of the Group was subject to lock-up restriction (As at December 31, 2018, no share of the Group was subject to lock-up restriction).

60. Other equity instruments

Group and Company

For the year ended December 31, 2019, the movements of the Company's other equity instruments were as follows:

	As at January 1, 2019		Increase		Decrease		As at December 31, 2019	
	Carrying Amount (In '000)	Quantity (shares) (In '000)	Carrying Amount (In '000)	Quantity (shares) (In '000)	Carrying Amount (In '000)	Quantity (shares) (In '000)	Carrying Amount (In '000)	Quantity (shares) (In '000)
Preference Shares – 2016 Offshore Preference Shares	160,000	21,281,215	–	–	–	–	160,000	21,281,215
Total	160,000	21,281,215	–	–	–	–	160,000	21,281,215

The Company issued the U.S. dollar settled Non-Cumulative Perpetual Offshore Preference Shares (the "Offshore Preference Shares") on September 30, 2016. In the year of 2019, the Company distributed dividends for the Offshore Preference Shares of US$158.22 million (2018: US$158.22 million).

61. 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.

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

62. Other comprehensive income

Group

Other comprehensive income attributable to equity holders of the Company is set out below:

	Year ended December 31, 2019	Year ended December 31, 2018
At beginning of the year	**(1,152,132)**	(1,055,878)
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	**535,521**	598,745
Amounts reclassified to profit or loss upon disposal	**(184,083)**	(47,862)
Amounts of profit or loss upon impairment	**8,461**	145,476
Income tax effect	**(53,352)**	(180,858)
	306,547	515,501
Exchange differences arising on translation of foreign operations	**(10,643)**	297,234
Share of other comprehensive income of associates and joint ventures	**260,089**	9,934
Income tax effect	**(42,764)**	(41,437)
	513,229	781,232
Items that will not be reclassified subsequently to profit or loss:		
Remeasurement of supplementary retirement benefits	**(13,869)**	(6,094)
Income tax effect	**2,288**	1,005
	(11,581)	(5,089)
Fair value changes on equity instruments designated as at fair value through other comprehensive income	**819,925**	(1,664,292)
Transfer to retained earnings	**–**	500,529
Income tax effect	**(205,129)**	291,366
	603,215	(877,486)
Other comprehensive income for the year	**1,116,444**	(96,254)
At end of the year	**(35,688)**	(1,152,132)

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

62. Other comprehensive income (continued)

Company

	Year ended December 31,	
	2019	2018
At beginning of the year	**(849,991)**	(97,519)
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	**–**	(299)
Amounts of profit or loss upon impairment	**(18)**	18
Income tax effect	**4**	70
	(14)	(211)
Share of other comprehensive income of associates and joint ventures	**171,055**	165,749
Income tax effect	**(42,764)**	(41,437)
	128,277	124,101
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	**820,514**	(1,669,293)
Transfer to retained earnings	**–**	500,529
Income tax effect	**(205,128)**	292,191
	615,386	(876,573)
Other comprehensive income for the year	**743,663**	(752,472)
At end of the year	**(106,328)**	(849,991)

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

63. 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.

64. General reserve

For the years ended December 31, 2019 and 2018, as approved by the general meetings of the Company and the board of directors meetings of its subsidiaries, the Group transferred a total of RMB918.13 million and RMB2,536.67 million, respectively to general reserve pursuant to the regulatory requirements in the PRC, among which, the Company transferred RMB549.11 million and RMB2,384.84 million, respectively to general reserve.

65. Retained earnings

During the years ended December 31, 2019 and 2018, the retained earnings of the Company were as follows:

Company

	Year ended December 31	
	2019	2018
At beginning of the year	**38,074,368**	39,090,105
Profit for the year	**6,522,636**	9,156,574
Retained earnings transferred from other comprehensive income	**–**	(375,397)
Appropriation to surplus reserve	**(652,264)**	(915,657)
Appropriation to general reserve	**(549,113)**	(2,384,843)
Dividends recognized as distribution	**(4,746,398)**	(6,496,414)
At end of the year	**38,649,229**	38,074,368

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

66. Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents represent:

	As at December 31	
	2019	2018
Cash	**577,491**	540,490
Balances with central banks	**9,460,038**	5,867,845
Deposits with banks and financial institutions	**49,188,108**	49,629,128
Placements with financial institutions	**9,686,980**	16,260,468
Financial assets held under resale agreements	**10,486,909**	33,768,477
Assets held for sale (1)	**3,349,811**	–
Cash and cash equivalents	**82,749,337**	106,066,408

(1) The amount is composed of cash amounting to RMB0.03 million, deposits with banks and financial institutions amounting to RMB317.23 million and financial assets held under resale agreements amounting to RMB3,032.55 million.

67. 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, 2019, equity instruments amounting to RMB2,328.29 million (As at December 31, 2018: RMB6,839.37 million) were swapped with debt instruments held by the Group with carrying value of RMB2,122.26 million (As at December 31, 2018: RMB6,627.81 million).

As part of the distressed asset management business, the Group entered into transactions of equity swap with counterparties in the ordinary courses of business during the year. For year ended December 31, 2019, equity instruments amounting to RMB1,626.66 million (As at December 31, 2018: RMB7,160.30 million) were swapped with equity instruments held by the Group with cost of RMB734.86 million (As at December 31, 2018: RMB6,404.87 million).

VI. EXPLANATORY NOTES (continued)

68. 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, 2019 and 2018, total claim amounts of pending litigations were RMB2,473.81 million and RMB2,243.71 million for the Group and RMB580.31 million and RMB627.27 million for the Company respectively, and provisions of RMB54.93 million and RMB136.34 million for the Group and RMB0 million and RMB86.50 million for the Company 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.

The total claim amount of pending litigations for the Group as at December 31, 2019 and December 31, 2018 included the lawsuit between Cinda Investment, which is a subsidiary of the Group, and Beijing Junefield Real Estate Development Co., Ltd. ("Junefield Real Estate"), which claim amount was approximately RMB1 billion. Upon receival of the second trial judgment on the litigation made by the Supreme People's Court (the "Second Trial Judgment") in March 2017, Cinda Investment, Cinda Properties and Cinda Beijing Branch were of the view that there were mistakes in the fact-finding and laws application process in the Second Trial Judgment and therefore, they filed a formal retrial petition to the Supreme People's Court. The Second Trial Judgement had specified that Cinda Investment should pay RMB1 billion as the liquidated damage to Junefield Real Estate and Junefield Real Estate should return the contract amount and resettlement fee of about RMB2.7 billion to Cinda Investment. Therefore, in August 2019, Cinda Investment agreed to offset RMB1 billion which should be paid to Junefield Real Estate as liquidated damage and about RMB2.7 billion which Junefield Real Estate should return to Cinda Investment as the contract amount and resettlement fee pursuant to the ruling on enforcement from the Third Intermediate People's Court of Beijing. In December 2019, the Supreme People's Court issued the civil ruling that the case should be retried, and the execution of the original judgment should be suspended during the retrial. As of the reporting date, the retrial petition of the lawsuit was still in review. The Group currently assesses that the litigation will not have material adverse effect on its operating results and financial conditions, and will not affect the normal operation of the Company. For detailed information of the litigation, please refer to related announcements of the Group.

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

68. Contingent liabilities and commitments (continued)

(2) Credit commitments

	As at December 31	
	2019	2018
Bank bill acceptance	**15,145,363**	16,025,796
Loan commitments (i)	**16,427,261**	14,005,787
Letters of guarantee issued	**3,294,722**	5,385,417
Letters of credit issued	**3,092,269**	3,320,298
Undrawn credit card commitments	**593,359**	669,394
Others	**380,927**	9,512
Total	**38,933,901**	39,416,204
Impairment of credit commitments	**(91,407)**	(174,978)

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, 2019, the unconditionally revocable loan commitments of the Group amounted to RMB93,668.23 million (December 31, 2018: RMB59,877.65 million).

(3) Capital commitments

Group

	As at December 31	
	2019	2018
Contracted but not provided for		
Commitments for the acquisition of property and equipment	**69,122**	94,109
Total	**69,122**	94,109

VI. EXPLANATORY NOTES (continued)

68. Contingent liabilities and commitments (continued)

(3) Capital commitments (continued)

Company

	As at December 31	
	2019	2018
Contracted but not provided for		
Commitments for the acquisition of property and equipment	**2,128**	799
Total	**2,128**	799

(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.

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

69. Transfers of financial assets

(1) Repurchase agreements

The Group entered into sales agreements with certain counterparties on its financial assets, in which the Group was subject to simultaneous agreements with commitments to repurchase these financial assets at specified future dates and prices. As stipulated in the repurchase agreements, there is no transfer of the legal ownership of these financial assets to the counterparties during the covered period. However, the Group is not allowed to sell or pledge these financial assets during the covered period unless both parties mutually agree with such arrangement. Accordingly, the Group has determined that it retains substantially all the risks and rewards of these financial assets and therefore these financial assets have not been derecognized from the financial statements but regarded as "collateral" for the secured lending from the counterparties. Normally, the counterparties could only claim from the collateral when there is an event of default on the secured lending.

	Carrying amount of pledged assets December 31		Related liabilities December 31	
	2019	2018	**2019**	2018
Financial assets at amortized cost	**4,586,420**	3,704,759	**4,357,099**	3,577,746
Financial assets at fair value through profit or loss	**1,791,560**	876,971	**1,791,560**	876,200
Financial assets at fair value through other comprehensive income	**13,635,567**	7,779,561	**12,846,266**	7,514,603
Loans to margin clients	**500,665**	1,054,368	**500,665**	1,001,658
Total	**20,514,212**	13,415,659	**19,495,590**	12,970,207

VI. EXPLANATORY NOTES (continued)

69. Transfers of financial assets (continued)

(2) Asset-backed securities

The Group enters into securitization transactions, by which it transfers financial assets at amortized cost 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, 2019, the Group' s carrying amount of transferred assets that did not qualify for derecognition was RMB53,952.19 million (December 31, 2018: RMB35,934.44 million), and the carrying amount of their associated liabilities was RMB64,493.89 million (December 31, 2018: RMB42,552.75 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, 2019 (December 31, 2018: RMB588.51 million), which also approximated to the Group's maximum exposure to loss.

(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, 2019, the carrying amount at the time of transfer of the original financial assets, which the Group determined that it has continuing involvement, was RMB6,301.00 million (for the year ended December 31, 2018: Nil). As at December 31, 2019, the carrying amount of continuing involvement assets recognized by the Group was RMB237.39 million (As at December 31, 2018: RMB1,399.43 million) and the carrying amount of continuing involvement liabilities was nil (As at December 31, 2018: RMB1,399.43 million), which were recognized in other assets and other liabilities respectively.

VI. EXPLANATORY NOTES (continued)

70. 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.

During the reporting period, the Group has reclassified the business segments, and the prior period comparative.

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 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, lease and insurance businesses. 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.

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

70. Segment information (continued)

	Distressed asset management	Financial services	Elimination	Consolidated
Year ended December 31, 2019				
Income from distressed debt assets at amortized cost	16,403,571	–	–	16,403,571
Fair value changes on distressed debt assets	13,645,346	–	–	13,645,346
Fair value changes on other financial instruments	14,704,357	503,722	(367,997)	14,840,082
Investment income	(316,469)	783,163	(2,205)	464,489
Interest income	8,934,854	17,313,248	(846,476)	25,401,626
Revenue from sales of inventories	18,169,404	–	–	18,169,404
Commission and fee income	514,966	3,301,017	(279,425)	3,536,558
Net gains on disposal of subsidiaries, associates and joint ventures	879,080	2,524	–	881,604
Other income and other net gains or losses	2,719,228	139,447	(54,463)	2,804,212
Total	75,654,337	22,043,121	(1,550,566)	96,146,892
Interest expense	(35,941,760)	(9,452,412)	1,027,619	(44,366,553)
Employee benefits	(3,111,593)	(2,890,347)	–	(6,001,940)
Purchases and changes in inventories	(12,869,033)	–	263	(12,868,770)
Commission and fee expense	(313,728)	(428,910)	23,058	(719,580)
Taxes and surcharges	(493,721)	(83,306)	–	(577,027)
Depreciation and amortization expenses	(756,826)	(861,748)	59,901	(1,558,673)
Other expenses	(2,475,457)	(1,164,194)	98,666	(3,540,985)
Impairment losses on assets	(6,113,839)	(2,816,306)	5,912	(8,924,233)
Total	(62,075,957)	(17,697,223)	1,215,419	(78,557,761)

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

70. Segment information (continued)

	Distressed asset management	Financial services	Elimination	Consolidated
Change in net assets attributable to other holders of consolidated structured entities	(229,732)	(7,808)	–	(237,540)
Profit before share of results of associates and joint ventures and tax	13,348,648	4,338,090	(335,147)	17,351,591
Share of results of associates and joint ventures	1,888,914	31,935	–	1,920,849
Profit before tax from continuing operations	15,237,562	4,370,025	(335,147)	19,272,440
Income tax expense				(5,754,622)
Profit for the year from continuing operations				13,517,818
Profit after tax for the year from a discontinued operation				1,500,399
Capital expenditure	6,940,419	1,712,098	–	8,652,517
As at December 31, 2019				
Segment assets	945,229,023	535,673,814	(35,823,591)	1,445,079,246
Including: Interests in associates and joint ventures	72,612,763	393,526	–	73,006,289
Assets held for sale	–	61,394,178	–	61,394,178
Unallocated assets				6,756,583
Total assets				1,513,230,007
Segment liabilities	832,929,548	461,547,993	(31,985,719)	1,262,491,822
Liabilities held for sale	–	57,924,139	–	57,924,139
Unallocated liabilities				4,403,585
Total liabilities				1,324,819,546

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

70. Segment information (continued)

	(Restated) Distressed asset management	Financial services	Elimination	Consolidated
Year ended December 31, 2018				
Income from distressed debt assets at amortized cost	19,308,309	–	–	19,308,309
Fair value changes on distressed debt assets	11,451,465	–	–	11,451,465
Fair value changes on other financial instruments	15,242,757	862,119	(19,920)	16,084,956
Investment income	152,056	3,990	(3,148)	152,898
Interest income	9,667,989	16,018,169	(680,459)	25,005,699
Revenue from sales of inventories	17,446,425	–	–	17,446,425
Commission and fee income	551,330	3,492,910	(394,418)	3,649,822
Net gains on disposal of subsidiaries, associates and joint ventures	1,550,907	–	–	1,550,907
Other income and other net gains or losses	3,414,699	81,750	(43,551)	3,452,898
Total	78,785,937	20,458,938	(1,141,496)	98,103,379
Interest expense	(38,441,916)	(8,580,720)	736,141	(46,286,495)
Employee benefits	(2,757,211)	(2,613,308)	–	(5,370,519)
Purchases and changes in inventories	(11,389,890)	–	7,665	(11,382,225)
Commission and fee expense	(488,834)	(372,894)	11,484	(850,244)
Taxes and surcharges	(542,875)	(81,883)	–	(624,758)
Depreciation and amortization expenses	(580,664)	(359,094)	–	(939,758)
Other expenses	(2,331,038)	(1,606,754)	173,760	(3,764,032)
Impairment losses on assets	(5,716,334)	(2,439,844)	–	(8,156,178)
Total	(62,248,762)	(16,054,497)	929,050	(77,374,209)

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

70. Segment information (continued)

	(Restated)			
	Distressed asset management	Financial services	Elimination	Consolidated
Change in net assets attributable to other holders of consolidated structured entities	(386,942)	(132,833)	–	(519,775)
Profit before share of results of associates and joint ventures and tax	16,150,233	4,271,608	(212,446)	20,209,395
Share of results of associates and joint ventures	2,457,675	30,773	–	2,488,448
Profit before tax from continuing operations	18,607,908	4,302,381	(212,446)	22,697,843
Income tax expense				(6,951,885)
Profit for the year from continuing operations				15,745,958
Profit/(loss) after tax for the year from a discontinued operation				(3,866,049)
Capital expenditure	2,850,171	641,459	–	3,491,630
As at December 31, 2018				
Segment assets	958,365,635	566,999,156	(35,765,390)	1,489,599,401
Including: Interests in associates and joint ventures	73,096,880	1,198,830	–	74,295,710
Unallocated assets				6,159,808
Total assets				1,495,759,209
Segment liabilities	849,423,927	494,516,489	(32,889,726)	1,311,050,690
Unallocated liabilities				6,140,053
Total liabilities				1,317,190,743

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

71. Related party transactions

(1) The MOF

Group

As at December 31, 2019, the MOF directly owned 58.00% (As at December 31, 2018: 64.45%) 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	
	2019	2018
Financial assets at fair value through other comprehensive income	**23,418,637**	16,227,033
Financial assets at amortized cost	**3,787,218**	3,867,294
Accounts receivable	**1,597**	1,597
Financial assets at fair value through profit or loss	**–**	658,429

The Group had entered into the following transactions with the MOF:

	Year ended December 31	
	2019	2018
Interest income	**779,012**	580,472
Investment income	**31,331**	17,154

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

71. Related party transactions (continued)

(1) The MOF (continued)

Company

The Company had the following balances with the MOF:

	As at December 31	
	2019	2018
Accounts receivable	**1,597**	1,597

For the years ended December 31, 2019 and 2018, the Company had no transaction with the MOF.

(2) Subsidiaries

The Company had the following balances with its subsidiaries:

	As at December 31	
	2019	2018
Amounts due from subsidiaries	**44,912,818**	37,943,416
Financial assets at fair value through profit or loss	**2,485,202**	2,694,721
Financial assets at amortized cost	**689,375**	936,308
Lease liabilities	**671,681**	–
Right-of-use assets	**663,344**	–
Bonds issued	**378,751**	407,844
Other payables	**131,990**	129,491
Property and equipment	**16,254**	16,836
Accounts payable	**788**	1,633

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

71. Related party transactions (continued)

(2) Subsidiaries (continued)

The Company had entered into the following transactions with its subsidiaries:

	Year ended December 31	
	2019	2018
Interest income	**1,468,572**	1,211,367
Fair value changes on other financial instruments	**298,159**	48,463
Interest expense	**149,597**	85,101
Depreciation expenses of right-of-use assets	**126,781**	–
Impairment losses on assets	**101,279**	143,554
Other expenses	**99,593**	238,516
Dividend income	**35,605**	1,269,735
Rental income	**29,559**	29,913
Fair value changes on distressed debt assets	**29,387**	38,383
Commission and fee expense	**18,980**	4,701
Depreciation and amortisation expenses	**582**	582
Other income and other net gains or losses	**–**	19,990

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

71. Related party transactions (continued)

(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	
	2019	2018
Loans and advances to customers	**9,720,108**	11,148,825
Other payables	**261,448**	271,135
Risk deposit	**188,664**	97,500
Other receivables	**49,810**	59,113
Dividend receivable	**21,940**	174,978
Deferred income related to leasing business	**21,839**	13,277
Accounts receivable	**2,480**	1,950

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

	Year ended December 31	
	2019	2018
Dividend income	**1,167,372**	371,422
Interest income	**901,057**	1,098,602
Commission and fee income	**23,380**	21,373
Rental income	**–**	32,707

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

71. Related party transactions (continued)

(3) Associates and joint ventures (continued)

Company

The Company had the following balances with its associates and joint ventures:

	As at December 31	
	2019	2018
Dividend receivable	–	164,571

The Company had entered into the following transactions with its associates and joint ventures:

	Year ended December 31	
	2019	2018
Dividend income	**219,665**	200,025

(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.

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

71. 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	
	2019	2018
Contribution to defined contribution plans	**216,385**	197,225

Company

The Company had the following transactions with the defined contribution plans:

	Year ended December 31	
	2019	2018
Contribution to defined contribution plans	**91,578**	113,571

(6) Defined benefit plans

Group

Movements of retirement benefits of the Group due to its subsidiary, NCB:

	Year ended December 31	
	2019	2018
Current service cost	**2,235**	2,260

(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)

72. 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.

VI. EXPLANATORY NOTES (continued)

72. Financial risk management (continued)

72.1 Credit Risk

72.1.1 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.72.4 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.

72.1.2 Measurement of ECL

Refer to Note IV.7.4 Impairment of financial assets.

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

72. Financial risk management (continued)

72.1 Credit Risk (continued)

72.1.3 Maximum exposure to credit risk before taking into account any collateral held or other credit enhancements

The maximum exposure to credit risk represents the credit risk exposure to the Group at the end of each reporting period without taking into account any collateral held or other credit enhancements. The exposure to credit risk at the end of each reporting period mainly arises from distressed debt assets acquired from financial institutions and non-financial institutions, loans and advances to customers and treasury operations. At the end of each reporting period, the maximum exposure to credit risk other than distressed debt assets is as follows:

Group

	As at December 31	
	2019	2018
Balances with central banks	**18,424,560**	16,111,421
Deposits with banks and financial institutions	**70,837,593**	80,102,582
Deposits with exchanges and others	**1,323,359**	967,699
Placements with banks and financial institutions	**11,152,300**	18,470,497
Financial assets at fair value through profit or loss	**110,527,227**	134,400,443
Financial assets held under resale agreements	**13,212,454**	33,805,064
Financial assets at fair value through other comprehensive income	**132,575,402**	113,420,552
Financial assets at amortized cost	**227,645,067**	252,416,716
Loans and advance to customers	**337,859,064**	336,616,502
Accounts receivable	**2,402,725**	4,151,934
Other assets	**14,872,719**	14,341,340
Subtotal	**940,832,470**	1,004,804,750
Off-balance sheet		
Bank bill acceptance	**15,145,363**	16,025,796
Loan commitments	**16,427,261**	14,005,787
Letters of guarantee issued and other credit commitments	**7,361,277**	9,384,621
Subtotal	**38,933,901**	39,416,204
Total	**979,766,371**	1,044,220,954

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

72. Financial risk management (continued)

72.1 Credit Risk (continued)

72.1.3 Maximum exposure to credit risk before taking into account any collateral held or other credit enhancements (continued)

Company

	As at December 31	
	2019	2018
Balances with central banks	**2,399**	2,381
Deposits with banks and financial institutions	**12,018,928**	11,466,189
Financial assets at fair value through profit or loss	**81,636,664**	81,957,718
Financial assets held under resale agreements	**10,479,747**	21,091,389
Financial assets at amortized cost	**187,365,891**	216,392,215
Accounts receivable	**552,805**	535,573
Amounts due from subsidiaries	**43,596,732**	36,794,063
Other assets	**3,992,197**	6,092,193
Total	**339,645,363**	374,331,721

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, 2018. The carrying amount of distressed debt assets at fair value through profit or loss for the Group as at December 31, 2019 amounted to RMB197,621.33 million (December 31, 2018: RMB189,113.89 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.

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

72. Financial risk management (continued)

72.1 Credit Risk (continued)

72.1.4 Risk concentration of distressed debt assets and loans and advances to customers at amortized cost

Group

	As at December 31	
	2019	2018
Distressed debt assets	**198,124,431**	227,906,360
Loans and advances to customers	**331,122,128**	333,662,931
Subtotal	**529,246,559**	561,569,291
Allowance for impairment losses		
Distressed debt assets	**(11,510,610)**	(12,887,465)
Loans and advances to customers	**(8,270,412)**	(7,661,600)
Subtotal	**(19,781,022)**	(20,549,605)
Net carrying amounts		
Distressed debt assets	**186,613,821**	215,018,895
Loans and advances to customers	**322,851,716**	326,001,331
Total	**509,465,537**	541,020,226

Company

	As at December 31	
	2019	2018
Distressed debt assets	**198,715,598**	228,859,955
Allowance for impairment losses	**(11,412,402)**	(12,904,752)
Net carrying amounts	**187,303,196**	215,955,203

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

72. Financial risk management (continued)

72.1 Credit Risk (continued)

72.1.4 Risk concentration of distressed debt assets and loans and advances to customers at amortized cost (continued)

By geographical area

Group

	As at December 31			
	2019		2018	
Area	**Gross amount**	**%**	Gross amount	%
Overseas	**181,852,321**	**34.3**	159,281,362	28.4
Central Region	**78,112,858**	**14.8**	89,430,989	15.9
Yangtze River Delta	**71,233,443**	**13.5**	94,447,354	16.8
Bohai Rim	**65,191,623**	**12.3**	67,963,286	12.1
Pearl River Delta	**63,336,690**	**12.0**	79,228,387	14.1
Western Region	**62,523,186**	**11.8**	62,676,447	11.2
Northeastern Region	**6,996,438**	**1.3**	8,541,466	1.5
Total	**529,246,559**	**100.0**	561,569,291	100.0

Company

	As at December 31			
	2019		2018	
Area	**Gross amount**	**%**	Gross amount	%
Central Region	**57,263,732**	**28.8**	59,838,564	26.1
Bohai Rim	**47,667,325**	**24.0**	43,459,529	19.0
Yangtze River Delta	**36,009,498**	**18.1**	49,589,843	21.7
Western Region	**30,503,536**	**15.4**	36,475,624	15.9
Pearl River Delta	**24,908,364**	**12.5**	35,465,226	15.5
Northeastern Region	**2,363,143**	**1.2**	4,031,169	1.8
Total	**198,715,598**	**100.0**	228,859,955	100.0

VI. EXPLANATORY NOTES (continued)

72. Financial risk management (continued)

72.1 Credit Risk (continued)

72.1.4 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.
Bohai Rim:	Including Beijing, Tianjin, Hebei, and Shandong.
Yangtze River Delta:	Including Shanghai, Jiangsu, and Zhejiang.
Western Region:	Including Chongqing, Sichuan, Guizhou, Yunnan, Shaanxi, Guangxi, Gansu, Qinghai, Xinjiang, Ningxia, and Inner Mongolia.
Pearl River Delta:	Including Guangdong, Shenzhen, and Fujian.
Northeastern Region:	Including Liaoning, Jilin, and Heilongjiang.
Overseas:	Including Hong Kong and other overseas regions.

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

72. Financial risk management (continued)

72.1 Credit Risk (continued)

72.1.4 Risk concentration of distressed debt assets and loans and advances to customers at amortized cost (continued)

By industry

Group

	As at December 31			
	2019		2018	
Industry	Gross amount	%	Gross amount	%
Corporate business				
Real estate	200,997,143	38.0	214,329,344	38.3
Manufacturing	72,867,907	13.8	71,054,990	12.7
Leasing and commercial services	52,368,521	9.9	61,944,527	11.0
Finance	24,073,846	4.5	32,203,821	5.7
Transportation, logistics and postal services	17,707,176	3.3	22,541,922	4.0
Production and supply of power, heat, gas and water	15,940,369	3.0	14,360,850	2.6
Mining	15,143,210	2.9	29,450,420	5.2
Construction	14,849,816	2.8	16,947,569	3.0
Others	61,013,509	11.5	53,612,902	9.5
Subtotal	474,961,497	89.7	516,446,345	92.0
Personal business				
Mortgage	26,318,715	5.0	25,355,662	4.5
Personal consumption loans	20,507,932	3.9	13,594,368	2.4
Subtotal	46,826,647	8.9	38,950,030	6.9
Loans to margin clients	7,458,415	1.4	6,172,916	1.1
Total	529,246,559	100.0	561,569,291	100.0

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

72. Financial risk management (continued)

72.1 Credit Risk (continued)

72.1.4 Risk concentration of distressed debt assets and loans and advances to customers at amortized cost (continued)

By industry (continued)

Company

	As at December 31			
	2019		2018	
Industry	**Gross amount**	**%**	Gross amount	%
Real estate	**97,974,379**	**49.3**	110,379,126	48.3
Manufacturing	**25,859,350**	**13.0**	26,423,028	11.5
Wholesale and retail trade	**19,143,834**	**9.6**	15,647,767	6.8
Mining	**12,642,255**	**6.4**	23,727,543	10.4
Leasing and commercial services	**10,717,913**	**5.4**	10,066,096	4.4
Construction	**8,918,543**	**4.5**	9,635,787	4.2
Transportation, logistics and postal services	**4,848,924**	**2.4**	8,691,354	3.8
Others	**18,610,400**	**9.4**	24,289,254	10.6
Total	**198,715,598**	**100.0**	228,859,955	100.0

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

72. Financial risk management (continued)

72.1 Credit Risk (continued)

72.1.4 Risk concentration of distressed debt assets and loans and advances to customers at amortized cost (continued)

By security type

Group

	As at December 31			
	2019		2018	
	Gross amount	**%**	Gross amount	%
Unsecured	**118,900,076**	**22.5**	115,608,682	20.6
Guaranteed	**69,657,240**	**13.2**	91,657,442	16.3
Mortgaged	**239,447,311**	**45.2**	251,224,086	44.7
Pledged	**101,241,932**	**19.1**	103,079,081	18.4
Total	**529,246,559**	**100.0**	561,569,291	100.0

Company

	As at December 31			
	2019		2018	
	Gross amount	**%**	Gross amount	%
Unsecured	**6,188,898**	**3.1**	7,204,880	3.1
Guaranteed	**20,111,948**	**10.1**	32,352,092	14.1
Mortgaged	**139,585,515**	**70.3**	145,810,672	63.8
Pledged	**32,829,237**	**16.5**	43,492,311	19.0
Total	**198,715,598**	**100.0**	228,859,955	100.0

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

72. Financial risk management (continued)

72.1 Credit Risk (continued)

72.1.5 Past due distressed debt assets and loans and advances to customers at amortized cost

Group

	Gross amount as at December 31, 2019					Gross amount as at December 31, 2018				
	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	8,392,430	4,139,551	13,779	541,852	13,087,612	7,299,782	1,492,118	3,598,955	705,498	13,096,353
Loans and advances to customers	4,728,498	966,062	1,490,807	1,381,315	8,566,682	1,234,180	1,871,500	4,338,209	681,171	8,125,060
Total	13,120,928	5,105,613	1,504,586	1,923,167	21,654,294	8,533,962	3,363,618	7,937,164	1,386,669	21,221,413

Company

	Gross amount as at December 31, 2019					Gross amount as at December 31, 2018				
	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	8,392,430	4,139,551	13,779	348,327	12,894,087	7,299,782	1,492,118	3,626,436	511,457	12,929,793

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

72. Financial risk management (continued)

72.1 Credit Risk (continued)

72.1.6 Credit quality of distressed assets and loans and advances to customers at amortized cost

Group

	As at December 31	
	2019	2018
Neither past due nor impaired	**507,296,036**	540,347,878
Past due but not impaired (1)	**8,769,717**	6,823,058
Impaired (2)	**13,180,806**	14,398,355
Subtotal	**529,246,559**	561,569,291
Allowance for impairment losses	**(19,781,022)**	(20,549,065)
Net carrying amount	**509,465,537**	541,020,226

Company

	As at December 31	
	2019	2018
Neither past due nor impaired	**185,821,511**	215,930,162
Past due but not impaired (1)	**7,188,035**	5,772,437
Impaired (2)	**5,706,052**	7,157,356
Subtotal	**198,715,598**	228,859,955
Allowance for impairment losses	**(11,412,402)**	(12,904,752)
Net carrying amount	**187,303,196**	215,955,203

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

72. Financial risk management (continued)

72.1 Credit Risk (continued)

72.1.6 Credit quality of distressed assets and loans and advances to customers at amortized cost (continued)

(1) Past due but not impaired

Group

	Gross amount as at December 31, 2019					Gross amount as at December 31, 2018				
	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	6,688,035	500,000	–	–	7,188,035	5,772,437	–	–	–	5,772,437
Loans and advances to customers	1,581,682	–	–	–	1,581,682	1,050,619	2	–	–	1,050,621
Total	8,269,717	500,000	–	–	8,769,717	6,823,056	2	–	–	6,823,058

Company

	Gross amount as at December 31, 2019					Gross amount as at December 31, 2018				
	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	6,688,035	500,000	–	–	7,188,035	5,772,437	–	–	–	5,772,437

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

72. Financial risk management (continued)

72.1 Credit Risk (continued)

72.1.6 Credit quality of distressed assets and loans and advances to customers at amortized cost (continued)

(2) Impaired

Group

	As at December 31, 2019		
	Gross amount	Allowance for impairment losses	Net carrying amount
Distressed debt assets	**5,899,577**	**(3,339,700)**	**2,559,877**
Loans and advances to customers	**7,281,229**	**(3,377,581)**	**3,903,648**
Total	**13,180,806**	**(6,717,281)**	**6,463,525**

	As at December 31, 2018		
	Gross amount	Allowance for impairment losses	Net carrying amount
Distressed debt assets	7,323,917	(4,301,300)	3,022,617
Loans and advances to customers	7,074,438	(3,034,137)	4,040,301
Total	14,398,355	(7,335,437)	7,062,918

Company

	As at December 31, 2019		
	Gross amount	Allowance for impairment losses	Net carrying amount
Distressed debt assets	**5,706,052**	**(3,190,972)**	**2,515,080**

	As at December 31, 2018		
	Gross amount	Allowance for impairment losses	Net carrying amount
Distressed debt assets	7,157,356	(4,183,277)	2,974,079

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

72. Financial risk management (continued)

72.1 Credit Risk (continued)

72.1.6 Credit quality of distressed assets and loans and advances to customers at amortized cost (continued)

(2) Impaired (continued)

Group

	As at December 31	
	2019	2018
Distressed debt assets		
Impaired	**5,899,577**	7,323,917
– Portion covered	**5,876,865**	5,589,220
– Portion not covered	**22,712**	1,734,697
Impaired as % of total distressed debt assets	**3.0**	3.2
Fair value of collateral	**5,887,278**	7,043,338
Loans and advances to customers		
Impaired	**7,281,229**	7,074,438
– Portion covered	**5,598,368**	5,559,858
– Portion not covered	**1,682,861**	1,514,580
Impaired as % of total loans and advances to customers	**2.2**	2.1
Fair value of collateral	**6,451,349**	6,520,677

Company

	As at December 31	
	2019	2018
Distressed debt assets		
Impaired	**5,706,052**	7,157,356
– Portion covered	**5,683,340**	5,398,588
– Portion not covered	**22,712**	1,758,768
Impaired as % of total distressed debt assets	**2.9**	3.1
Fair value of collateral	**5,693,753**	6,997,458

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

72. Financial risk management (continued)

72.1 Credit Risk (continued)

72.1.6 Credit quality of distressed 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

	As at December 31			
	2019		2018	
Area	**Gross amount**	**%**	Gross amount	%
Pearl River Delta	**3,332,824**	**56.5**	1,939,557	26.5
Yangtze River Delta	**1,285,313**	**21.8**	2,395,025	32.6
Bohai Rim	**507,669**	**8.6**	2,109,344	28.9
Northeastern Region	**438,151**	**7.4**	337,772	4.6
Western Region	**331,977**	**5.6**	542,219	7.4
Central Region	**3,643**	**0.1**	–	–
Total	**5,899,577**	**100.0**	7,323,917	100.0

Company

	As at December 31			
	2019		2018	
Area	**Gross amount**	**%**	Gross amount	%
Pearl River Delta	**3,332,824**	**58.4**	1,967,038	27.4
Yangtze River Delta	**1,285,313**	**22.5**	2,395,025	33.5
Northeastern Region	**438,151**	**7.7**	337,772	4.7
Western Region	**331,977**	**5.8**	542,219	7.6
Bohai Rim	**314,144**	**5.5**	1,915,302	26.8
Central Region	**3,643**	**0.1**	–	–
Total	**5,706,052**	**100.0**	7,157,356	100.0

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

72. Financial risk management (continued)

72.1 Credit Risk (continued)

72.1.6 Credit quality of distressed assets and loans and advances to customers at amortized cost (continued)

(2) Impaired (continued)

Loans and advances to customers

Group

	As at December 31			
	2019		2018	
Area	Gross amount	%	Gross amount	%
Pearl River Delta	**2,833,018**	**38.8**	1,087,892	15.4
Overseas	**1,191,407**	**16.4**	1,699,703	24.0
Bohai Rim	**1,133,474**	**15.6**	540,354	7.6
Western Region	**852,597**	**11.7**	2,068,182	29.3
Northeastern Region	**592,276**	**8.1**	713,143	10.1
Central Region	**448,066**	**6.2**	588,601	8.3
Yangtze River Delta	**230,391**	**3.2**	376,563	5.3
Total	**7,281,229**	**100.0**	7,074,438	100.0

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

72. Financial risk management (continued)

72.1 Credit Risk (continued)

72.1.7 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	
	2019	2018
Neither past due nor impaired (1)	**267,230,444**	265,423,182
Past due but not impaired (2)	**11,969,437**	12,516,487
Impaired (3)	**6,554,016**	9,322,192
Subtotal	**285,753,897**	287,261,861
Allowance for impairment losses	**(1,441,574)**	(1,877,356)
Net carrying amounts	**284,312,323**	285,384,505

Company

	As at December 31	
	2019	2018
Neither past due nor impaired (1)	**67,498,577**	63,843,706
Past due but not impaired	**11,960,991**	12,502,951
Impaired	**2,476,767**	6,348,638
Subtotal	**81,936,335**	82,695,295
Allowance for impairment losses	**(58,528)**	(134,875)
Net carrying amounts	**81,877,807**	82,560,420

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

72. Financial risk management (continued)

72.1 Credit Risk (continued)

72.1.7 Credit quality of investment products (continued)

(1) Neither past due nor impaired

Group

	As at December 31, 2019				As at December 31, 2018			
	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	5,968,207	3,786,207	54,737,515	64,491,929	4,826,641	3,924,588	41,063,983	49,815,212
Public sector and quasi-government bonds	1,044	–	5,055,750	5,056,794	280,475	2,109,196	12,613,925	15,003,596
Financial institution bonds	501,428	1,776,449	48,995,192	51,273,069	541,504	3,717,371	41,427,553	45,686,428
Corporate bonds	5,086,983	579,971	23,786,945	29,453,899	5,697,048	2,461,838	18,300,577	26,459,463
Trust products and rights to trust assets	11,711,825	12,994,353	–	24,706,178	18,081,745	16,230,820	–	34,312,565
Wealth management products	1,475,898	–	–	1,475,898	2,962,501	–	–	2,962,501
Asset management plans	1,682,059	608,811	–	2,290,870	10,660,652	910,731	–	11,571,383
Asset-backed securities	564,133	–	–	564,133	927,070	708,787	–	1,635,857
Derivative financial assets	593,028	–	–	593,028	617,750	–	–	617,750
Embedded derivatives debts	744,665	–	–	744,665	1,709,681	–	–	1,709,681
Debt investments	17,607,515	18,781,385	–	36,388,900	9,952,213	6,096,157	–	16,048,370
Mixed fund investments	46,917,208	–	–	46,917,208	57,743,378	–	–	57,743,378
Interbank negotiate certificate of deposit	59,162	–	–	59,162	39,246	–	–	39,246
Others	3,214,711	–	–	3,214,711	1,345,657	472,095	–	1,817,752
Subtotal	96,127,866	38,527,176	132,575,402	267,230,444	115,385,561	36,631,583	113,406,038	265,423,182
Allowance for impairment losses	–	(491,353)	–	(491,353)	–	(550,156)	–	(550,156)
Total	96,127,866	38,035,823	132,575,402	266,739,091	115,385,561	36,081,427	113,406,038	264,873,026

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

72. Financial risk management (continued)

72.1 Credit Risk (continued)

72.1.7 Credit quality of investment products (continued)

(1) Neither past due nor impaired (continued)

Company

	As at December 31, 2019				As at December 31, 2018			
	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
Financial institution bonds	501,428	–	–	501,428	–	–	–	–
Corporate bonds	–	–	–	–	541,504	–	–	541,504
Trust plans and rights to trust assets	6,457,791	252,828	–	6,710,619	5,131,935	–	–	5,131,935
Asset management plans	495,159	–	–	495,159	1,187,880	–	–	1,187,880
Asset-backed securities	309,700	–	–	309,700	661,744	690,734	–	1,352,478
Debt investments	17,607,515	–	–	17,607,515	9,945,194	–	–	9,945,194
Mixed fund investments	38,979,278	–	–	38,979,278	43,815,761	–	–	43,815,761
Others	2,894,878	–	–	2,894,878	1,868,954	–	–	1,868,954
Subtotal	67,245,749	252,828	–	67,498,577	63,152,972	690,734	–	63,843,706
Allowance for impairment losses	–	(13,274)	–	(13,274)	–	(89,621)	–	(89,621)
Total	67,245,749	239,554	–	67,485,303	63,152,972	601,113	–	63,754,085

As at December 31, 2019, the gross amount of neither past due nor impaired investment products at fair value through other comprehensive income was RMB132,575.40 million, and the allowance of RMB60.19 million was recognized in other comprehensive income.

As at December 31, 2018, the gross amount of neither past due nor impaired investment products at fair value through other comprehensive income was RMB113,406.04 million, and the allowance of RMB54.87 million was recognized in other comprehensive income.

VI. EXPLANATORY NOTES (continued)

72. Financial risk management (continued)

72.1 Credit Risk (continued)

72.1.7 Credit quality of investment products (continued)

(2) Past due but not impaired

As at December 31, 2019, investment products of the Group were financial assets at fair value through profit or loss. The gross amount of investment products was RMB11,969.44 million.

As at December 31, 2018, investment products of the Group were financial assets at fair value through profit or loss. The gross amount of investment products was RMB12,516.49 million.

(3) Impaired

As at December 31, 2019, the gross amount of the impaired investment products at fair value through profit or loss was RMB2,429.92 million, and the fair value loss of RMB1,329.85 million was recognized. The impairment of the impaired investment products at fair value through other comprehensive income has been fully accrued, and the allowance of RMB160.44 million was recognized in other comprehensive income. The gross amount of the impaired other debt instruments at amortized cost was RMB4,124.09 million, and the allowance of RMB950.22 million was recognized.

As at December 31, 2018, the gross amount of the impaired investment products at fair value through profit or loss was RMB6,498.40 million, and the fair value loss of RMB3,581.03 million was recognized. The gross amount of the impaired investment products at fair value through other comprehensive income was RMB14.51 million, and the allowance of RMB185.80 million was recognized in other comprehensive income. The gross amount of the impaired other debt instruments at amortized cost was RMB2,809.28 million, and the allowance of RMB1,317.20 million was recognized.

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

72. Financial risk management (continued)

72.1 Credit Risk (continued)

72.1.8 Investment products analyzed by credit rating from reputable rating agencies

Group

	As at December 31, 2019						As at December 31, 2018					
	AAA	AA	A	Below A	Unrated	Total	AAA	AA	A	Below A	Unrated	Total
Government bonds	4,557,937	38,054,765	588,810	–	21,290,350	64,491,862	5,171,912	27,726,385	15,747,952	1,168,801	–	49,815,050
Public sector and quasi-government bonds	2,205,304	–	–	–	2,851,490	5,056,794	8,314,326	3,478	6,569,963	–	115,824	15,003,591
Financial institution bonds	4,204,237	9,169,164	29,999,791	7,899,514	–	51,272,706	3,700,669	5,657,517	24,419,886	10,411,963	1,495,484	45,685,519
Corporate bonds	7,466,445	1,355,500	10,375,855	5,978,218	4,263,787	29,439,805	14,208,603	1,759,689	3,437,319	3,445,345	3,608,746	26,459,702
Trust products and rights to trust assets	–	–	–	239,554	27,800,736	28,040,290	642,061	–	–	1,436,840	37,930,629	40,009,530
Wealth management products	–	–	–	–	1,475,898	1,475,898	–	–	–	–	2,962,501	2,962,501
Asset management plans	–	–	–	–	2,280,276	2,280,276	–	–	733,602	–	10,813,733	11,547,335
Asset-backed securities	–	–	–	–	564,133	564,133	18,049	–	–	–	1,528,182	1,546,231
Debt investments	–	–	–	–	42,780,895	42,780,895	–	–	–	–	20,558,152	20,558,152
Mixed fund investments	–	–	–	–	54,111,022	54,111,022	–	–	–	–	67,610,903	67,610,903
Derivative financial assets	–	–	–	–	593,028	593,028	–	–	–	–	617,750	617,750
Embedded derivatives debts	–	–	–	–	744,665	744,665	–	–	–	–	1,709,681	1,709,681
Interbank negotiate certificate of deposit	–	–	–	–	59,162	59,162	–	–	–	–	39,246	39,246
Others	–	–	–	–	3,401,787	3,401,787	38,937	–	–	–	1,780,377	1,819,314
Total	18,433,923	48,579,429	40,964,456	14,117,286	162,217,229	284,312,323	32,094,557	35,147,069	50,908,722	16,462,949	150,771,208	285,384,505

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

72. Financial risk management (continued)

72.1 Credit Risk (continued)

72.1.8 Investment products analyzed by credit rating from reputable rating agencies (continued)

Company

	As at December 31, 2019						As at December 31, 2018					
	AAA	AA	A	Below A	Unrated	Total	AAA	AA	A	Below A	Unrated	Total
Financial institution bonds	501,428	-	-	-	-	501,428	541,504	–	–	–	–	541,504
Trust products and rights to trust assets	-	-	-	239,554	6,932,547	7,172,101	–	–	–	1,436,840	8,291,041	9,727,881
Asset management plans	-	-	-	-	495,159	495,159	–	–	–	886,790	301,090	1,187,880
Asset-backed securities	-	-	-	-	309,700	309,700	–	–	–	–	1,262,857	1,262,857
Debt investments	-	-	-	-	24,144,373	24,144,373	–	–	–	–	14,483,068	14,483,068
Mixed fund investments	-	-	-	-	46,173,092	46,173,092	–	–	–	–	53,486,687	53,486,687
Others	-	-	-	-	3,081,954	3,081,954	–	–	–	–	1,870,543	1,870,543
Total	501,428	-	-	239,554	81,136,825	81,877,807	541,504	–	–	2,323,630	79,695,286	82,560,420

72.2 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.

VI. EXPLANATORY NOTES (continued)

72. Financial risk management (continued)

72.2 Market risk (continued)

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.

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

72. Financial risk management (continued)

72.2 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, 2019						
	Less than 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Non-interest-bearing	Total
Cash and balances with central banks	14,285,356	–	–	–	–	4,716,695	19,002,051
Deposits with banks and financial institutions	59,750,485	7,040,042	2,845,194	170,983	–	1,030,889	70,837,593
Placements with banks and financial institutions	9,196,767	1,177,215	778,318	–	–	–	11,152,300
Deposits with exchanges and others	1,323,359	–	–	–	–	–	1,323,359
Financial assets at fair value through profit or loss	5,735,157	1,962,001	8,573,894	68,119,351	931,961	326,842,219	412,164,583
Financial assets at fair value through other comprehensive income	9,018,158	14,835,453	43,842,887	61,297,584	2,385,068	5,423,815	136,802,965
Loans and advances to customers	205,062,207	43,968,089	47,327,661	39,506,994	1,360,271	633,842	337,859,064
Financial assets at amortized cost	24,921,303	12,744,713	73,068,357	116,910,694	–	–	227,645,067
Accounts receivable	–	–	–	400,000	–	2,002,725	2,402,725
Financial assets held under resale agreements	11,870,687	–	129,050	461,994	–	750,723	13,212,454
Assets held for sale	5,774,791	2,035,931	5,142,616	17,036,291	10,881,121	18,084,650	58,955,400
Other financial assets	41,628	49,617	231,904	292,221	–	14,482,385	15,097,755
Total financial assets	346,979,898	83,813,061	181,939,881	304,196,112	15,558,421	373,967,943	1,306,455,316
Borrowings from central bank	–	–	(24,761)	–	–	(986,099)	(1,010,860)
Accounts payable to brokerage clients	(11,231,975)	–	–	–	–	(3,088,369)	(14,320,344)
Due to customers	(127,974,752)	(53,385,563)	(78,323,140)	(7,389,881)	(309,498)	(7,822,932)	(275,205,766)
Deposits from banks and financial institutions	(1,480,862)	(6,429,392)	(3,032,490)	(3,081,540)	(4,776)	(128,068)	(14,157,128)
Placements from banks and financial institutions	(7,292,129)	(3,759,010)	(3,013,811)	–	–	(19,869)	(14,084,819)
Financial liabilities at fair value through profit or loss	(3,394,627)	(818,294)	(309,478)	–	–	(542,857)	(5,065,256)
Financial assets sold under repurchase agreements	(9,212,051)	(1,125,131)	(6,849,966)	(500,000)	–	(1,808,442)	(19,495,590)
Borrowings	(14,978,533)	(76,909,729)	(320,986,602)	(99,623,212)	(21,087,227)	(3,006,001)	(536,591,304)
Bonds issued	(99,293)	(10,569,779)	(69,764,775)	(112,101,319)	(106,929,018)	(5,385,382)	(304,849,566)
Accounts payable	–	–	–	–	–	(5,050,797)	(5,050,797)
Liabilities held for sale	–	(1,078)	(3,235)	(5,717,873)	(7,946,077)	(1,880,074)	(15,548,337)
Other financial liabilities	(21,834)	(28,704)	(170,274)	(456,570)	(99,550)	(34,512,061)	(35,288,993)
Total financial liabilities	(175,686,056)	(153,026,680)	(482,478,532)	(228,870,395)	(136,376,146)	(64,230,951)	(1,240,668,760)
Interest rate gap	171,293,842	(69,213,619)	(300,538,651)	75,325,717	(120,817,725)	309,736,992	65,786,556

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

72. Financial risk management (continued)

72.2 Market risk (continued)

Interest rate risk (continued)

Group (continued)

	As at December 31, 2018						
	Less than 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Non-interest-bearing	Total
Cash and balances with central banks	14,568,786	–	–	–	–	2,083,125	16,651,911
Deposits with banks and financial institutions	61,986,509	5,458,000	11,145,421	208,665	318,151	985,836	80,102,582
Placements with banks and financial institutions	14,314,428	3,652,328	501,928	–	–	1,813	18,470,497
Deposits with exchanges and others	961,993	–	–	–	–	5,706	967,699
Financial assets at fair value through profit or loss	8,273,935	2,906,550	22,985,762	64,239,806	6,750,269	323,634,714	428,791,036
Financial assets at fair value through other comprehensive income	10,359,373	16,867,423	30,544,213	48,416,813	7,232,730	3,407,026	116,827,578
Loans and advances to customers	182,735,632	66,599,250	48,788,605	37,304,410	1,166,182	22,423	336,616,502
Financial assets at amortized cost	24,351,034	13,604,030	76,780,296	133,566,198	4,115,158	–	252,416,716
Accounts receivable	–	445,524	2,606,894	–	–	1,099,516	4,151,934
Financial assets held under resale agreements	31,408,385	457,526	1,743,142	196,011	–	–	33,805,064
Other financial assets	85,931	60,316	328,637	2,073,211	–	11,986,817	14,534,912
Total financial assets	349,046,006	110,050,947	195,424,898	286,005,114	19,582,490	343,226,976	1,303,336,431
Borrowings from central bank	–	–	–	–	–	(986,058)	(986,058)
Accounts payable to brokerage clients	(7,545,306)	–	–	–	–	(2,770,536)	(10,315,842)
Due to customers	(131,079,098)	(44,431,958)	(61,453,814)	(9,935,398)	(194,399)	(7,005,251)	(254,099,918)
Deposits from banks and financial institutions	(4,797,082)	(8,605,059)	(6,099,571)	(2,721,933)	(100,104)	(57,000)	(22,380,749)
Placements from banks and financial institutions	(6,972,698)	(5,841,736)	(7,079,012)	–	–	(325,204)	(20,218,650)
Financial liabilities at fair value through profit or loss	(1,460,884)	(1,703,091)	(1,044,656)	–	–	(314,718)	(4,523,349)
Financial assets sold under repurchase agreements	(9,172,327)	(1,606,631)	(1,315,049)	–	–	(876,200)	(12,970,207)
Investment contract liabilities for policyholders	–	(214)	(2,149)	(1,931,380)	(11,272,273)	–	(13,206,016)
Borrowings	(23,062,521)	(52,131,454)	(299,673,093)	(177,999,831)	(17,998,317)	(4,934)	(570,870,150)
Bonds issued	(145,383)	(10,343,733)	(50,211,869)	(112,584,846)	(104,225,161)	(5,604,074)	(283,115,066)
Accounts payable	–	–	(142,926)	–	–	(5,160,887)	(5,303,813)
Other financial liabilities	(6,073,933)	(18,868)	(2,161,229)	(2,784,764)	(478)	(25,012,749)	(36,052,021)
Total financial liabilities	(190,309,232)	(124,682,744)	(429,183,368)	(307,958,152)	(133,790,732)	(48,117,611)	(1,234,041,839)
Interest rate gap	158,736,774	(14,631,797)	(233,758,470)	(21,953,038)	(114,208,242)	295,109,365	69,294,592

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

72. Financial risk management (continued)

72.2 Market risk (continued)

Interest rate risk (continued)

Company

	As at December 31, 2019						
	Less than 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Non-interest-bearing	Total
Cash and balances with central banks	2,399	–	–	–	–	399	2,798
Deposits with banks and financial institutions	10,957,760	1,061,168	–	–	–	–	12,018,928
Financial assets at fair value through profit or loss	2,447,981	153,667	2,733,090	59,647,247	501,428	258,025,020	323,508,433
Accounts receivable	–	–	–	400,000	–	152,805	552,805
Financial assets held under resale agreements	10,477,172	–	–	–	–	2,575	10,479,747
Amounts due from subsidiaries	3,084,025	12,555,309	16,183,089	11,527,458	–	246,851	43,596,732
Financial assets at fair value through other comprehensive income	–	–	–	–	–	4,199,647	4,199,647
Financial assets at amortized cost	19,207,256	11,820,799	67,451,293	88,886,543	–	–	187,365,891
Interests in consolidated structured entities	–	1,205,059	1,190,736	11,878,496	545,468	3,571,235	18,390,994
Other financial assets	35,200	46,800	92,762	–	–	3,817,435	3,992,197
Total financial assets	46,211,793	26,842,802	87,650,970	172,339,744	1,046,896	270,015,967	604,108,172
Borrowings from central bank	–	–	–	–	–	(986,058)	(986,058)
Financial liabilities at fair value through profit or loss	–	–	–	–	–	(717,977)	(717,977)
Borrowings	(13,900,000)	(66,490,000)	(278,289,000)	(65,000,000)	–	(2,407,925)	(426,086,925)
Bonds issued	–	(1,258,847)	(52,641,066)	(38,286,132)	(59,693,617)	(3,037,154)	(154,916,816)
Other financial liabilities	–	–	–	–	–	(6,308,063)	(6,308,063)
Total financial liabilities	(13,900,000)	(67,748,847)	(330,930,066)	(103,286,132)	(59,693,617)	(13,457,177)	(589,015,839)
Interest rate gap	32,311,793	(40,906,045)	(243,279,096)	69,053,612	(58,646,721)	256,558,790	15,092,333

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

72. Financial risk management (continued)

72.2 Market risk (continued)

Interest rate risk (continued)

Company (continued)

	As at December 31, 2018						
	Less than1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Non-interest-bearing	Total
Cash and balances with central banks	2,381	–	–	–	–	511	2,892
Deposits with banks and financial institutions	9,337,114	–	2,129,075	–	–	–	11,466,189
Financial assets at fair value through profit or loss	3,642,112	–	9,915,740	52,114,027	5,129,179	241,862,710	312,663,768
Financial assets at fair value through other comprehensive income	–	–	–	–	–	3,379,133	3,379,133
Financial assets at amortized cost	20,653,875	13,450,172	74,473,682	107,814,486	–	–	216,392,215
Accounts receivable	–	445,524	10,000	–	–	80,049	535,573
Financial assets held under resale agreements	21,091,389	–	–	–	–	–	21,091,389
Amounts due from subsidiaries	1,557,112	17,258,830	14,929,652	2,809,597	–	238,872	36,794,063
Interests in consolidated structured entities	1,000,908	54,129	8,570,302	8,288,678	534,485	2,247,677	20,696,179
Other financial assets	–	–	–	–	–	6,092,193	6,092,193
Total financial assets	57,284,891	31,208,655	110,028,451	171,026,788	5,663,664	253,901,145	629,113,594
Borrowings from central bank	–	–	–	–	–	(986,058)	(986,058)
Financial liabilities at fair value through profit or loss	–	–	–	–	–	(739,392)	(739,392)
Borrowings	(19,609,452)	(40,169,952)	(257,718,153)	(138,964,678)	–	–	(456,462,235)
Bonds issued	–	(10,331,344)	(27,414,485)	(44,276,253)	(59,662,337)	(3,571,424)	(145,255,843)
Accounts payable	–	–	–	–	–	(168,760)	(168,760)
Other financial liabilities	–	–	–	–	–	(6,851,558)	(6,851,558)
Total financial liabilities	(19,609,452)	(50,501,296)	(285,132,638)	(183,240,931)	(59,662,337)	(12,317,192)	(610,463,846)
Interest rate gap	37,675,439	(19,292,641)	(175,104,187)	(12,214,143)	(53,998,673)	241,583,953	18,649,748

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

72. Financial risk management (continued)

72.2 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			
	2019		2018	
	Profit before tax	**Other comprehensive income**	Profit before tax	Other comprehensive income
+ 100 basis points	**(62,234)**	**(1,536,577)**	522,702	(1,959,345)
– 100 basis points	**62,234**	**1,584,092**	(522,702)	2,047,503

Company

	As at December 31			
	2019		2018	
	Profit before tax	**Other comprehensive income**	Profit before tax	Other comprehensive income
+ 100 basis points	**(943,526)**	**–**	(456,356)	–
– 100 basis points	**943,526**	**–**	456,356	–

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

72. Financial risk management (continued)

72.2 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 dollar ("USD"), Hong Kong dollar ("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, 2019				
	RMB	USD (RMB equivalent)	HKD (RMB equivalent)	Other currencies (RMB equivalent)	Total (RMB equivalent)
Cash and balances with central banks	12,972,424	1,206,396	4,786,904	36,327	19,002,051
Deposits with banks and financial institutions	62,380,986	5,406,720	2,378,390	671,497	70,837,593
Placements with banks and financial institutions	2,721,743	6,954,649	780,937	694,971	11,152,300
Deposits with exchanges and others	1,315,107	1,884	6,368	–	1,323,359
Financial assets at fair value through profit or loss	370,119,094	30,962,869	9,218,225	1,864,395	412,164,583
Financial assets at amortized cost	226,289,655	445,976	861,378	48,058	227,645,067
Financial assets at fair value through other comprehensive income	22,516,260	38,979,865	62,032,783	13,274,057	136,802,965
Loans and advances to customers	144,869,164	61,208,348	123,663,333	8,118,219	337,859,064
Accounts receivable	2,146,879	28,123	227,723	–	2,402,725
Financial assets held under resale agreements	13,212,454	–	–	–	13,212,454
Assets held for sale	58,955,400	–	–	–	58,955,400
Other financial assets	5,867,064	4,649,590	4,577,405	3,696	15,097,755
Total financial assets	923,366,230	149,844,420	208,533,446	24,711,220	1,306,455,316

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

72. Financial risk management (continued)

72.2 Market risk (continued)

Foreign exchange risk (continued)

Group (continued)

	As at December 31, 2019				
	RMB	USD (RMB equivalent)	HKD (RMB equivalent)	Other currencies (RMB equivalent)	Total (RMB equivalent)
Borrowings from central bank	(1,010,860)	–	–	–	(1,010,860)
Accounts payable to brokerage clients	(14,053,843)	(89,314)	(177,187)	–	(14,320,344)
Due to customers	(70,424,176)	(58,729,789)	(140,643,516)	(5,408,285)	(275,205,766)
Deposits from banks and financial institutions	(13,158,511)	(631,904)	(359,188)	(7,525)	(14,157,128)
Placements from banks and financial institutions	(7,020,316)	(3,487,979)	(928,905)	(2,647,619)	(14,084,819)
Financial liabilities at fair value through profit or loss	(159,071)	(180,796)	(4,724,331)	(1,058)	(5,065,256)
Financial assets sold under repurchase agreements	(9,997,280)	(1,171,378)	(2,008,720)	(6,318,212)	(19,495,590)
Borrowings	(488,982,718)	(7,569,702)	(40,038,884)	–	(536,591,304)
Bonds issued	(222,401,934)	(82,400,467)	(47,165)	–	(304,849,566)
Accounts payable	(3,946,431)	(468,906)	(625,238)	(10,222)	(5,050,797)
Liabilities held for sale	(15,548,337)	–	–	–	(15,548,337)
Other financial liabilities	(24,548,963)	(491,365)	(10,243,498)	(5,167)	(35,288,993)
Total financial liabilities	(871,252,440)	(155,221,600)	(199,796,632)	(14,398,088)	(1,240,668,760)
Net exposure	52,113,790	(5,377,180)	8,736,814	10,313,132	65,786,556

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

72. Financial risk management (continued)

72.2 Market risk (continued)

Foreign exchange risk (continued)

Group (continued)

	As at December 31, 2018				
	RMB	USD (RMB equivalent)	HKD (RMB equivalent)	Other currencies (RMB equivalent)	Total (RMB equivalent)
Cash and balances with central banks	13,619,767	907,679	2,095,077	29,388	16,651,911
Deposits with banks and financial institutions	63,818,930	13,600,321	1,436,599	1,246,732	80,102,582
Placements with banks and financial institutions	5,634,019	10,537,272	1,500,315	798,891	18,470,497
Deposits with exchanges and others	959,176	1,853	6,670	–	967,699
Financial assets at fair value through profit or loss	388,571,679	34,092,723	4,365,308	1,761,326	428,791,036
Financial assets at amortized cost	248,941,372	1,142,165	2,210,101	123,078	252,416,716
Financial assets at fair value through other comprehensive income	46,030,550	17,027,927	49,644,603	4,124,498	116,827,578
Loans and advances to customers	156,169,963	63,582,239	110,813,196	6,051,104	336,616,502
Accounts receivable	4,018,587	618	129,716	3,013	4,151,934
Financial assets held under resale agreements	33,805,064	–	–	–	33,805,064
Other financial assets	11,630,505	403,846	2,500,553	8	14,534,912
Total financial assets	973,199,612	141,296,643	174,702,138	14,138,038	1,303,336,431

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

72. Financial risk management (continued)

72.2 Market risk (continued)

Foreign exchange risk (continued)

Group (continued)

	As at December 31, 2018				
	RMB	USD (RMB equivalent)	HKD (RMB equivalent)	Other currencies (RMB equivalent)	Total (RMB equivalent)
Borrowings from central bank	(986,058)	–	–	–	(986,058)
Accounts payable to brokerage clients	(10,178,362)	(100,198)	(37,282)	–	(10,315,842)
Due to customers	(71,312,190)	(50,863,235)	(124,748,866)	(7,175,627)	(254,099,918)
Deposits from banks and financial institutions	(21,644,103)	(389,493)	(339,612)	(7,541)	(22,380,749)
Placements from banks and financial institutions	(3,487,648)	(4,642,890)	(9,595,885)	(2,492,227)	(20,218,650)
Financial liabilities at fair value through profit or loss	(230,085)	(155)	(4,293,109)	–	(4,523,349)
Financial assets sold under repurchase agreements	(12,970,207)	–	–	–	(12,970,207)
Investment contract liabilities for policy holders	(13,206,016)	–	–	–	(13,206,016)
Borrowings	(528,179,761)	(4,733,487)	(37,787,804)	(169,098)	(570,870,150)
Bonds issued	(206,912,025)	(76,147,997)	(55,044)	–	(283,115,066)
Accounts payable	(4,788,517)	(350,785)	(160,724)	(3,787)	(5,303,813)
Other financial liabilities	(30,677,031)	(603,985)	(4,762,854)	(8,151)	(36,052,021)
Total financial liabilities	(904,572,003)	(137,832,225)	(181,781,180)	(9,856,431)	(1,234,041,839)
Net exposure	68,627,609	3,464,418	(7,079,042)	4,281,607	69,294,592

VI. EXPLANATORY NOTES (continued)

72. Financial risk management (continued)

72.2 Market risk (continued)

Foreign exchange risk (continued)

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	
	2019	2018
5% appreciation	**(683,638)**	(33,349)
5% depreciation	**683,638**	33,349

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.

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

72. Financial risk management (continued)

72.2 Market risk (continued)

Foreign exchange risk (continued)

Group

	As at December 31			
	2019		2018	
	Profit before tax	Equity	Profit before tax	Equity
+1 percent	**1,040,160**	**42,276**	1,052,767	34,070
– 1 percent	**(1,040,160)**	**(42,276)**	(1,052,767)	(34,070)

72.3 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.

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

72. Financial risk management (continued)

72.3 Liquidity risk (continued)

Group

	As at December 31, 2019							
	Past due/ undated	On demand	Less than 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
Cash and balances with central banks	14,282,968	4,719,083	–	–	–	–	–	19,002,051
Deposits with banks and financial institutions	225,157	53,322,345	7,742,837	7,077,806	2,878,550	172,296	–	71,418,991
Placements with banks and financial institutions	–	–	10,038,274	1,178,496	789,744	–	–	12,006,514
Deposits with exchanges and others	1,323,359	–	–	–	–	–	–	1,323,359
Financial assets at fair value through profit or loss	314,149,501	8,215,331	2,881,024	4,452,634	14,293,074	82,843,927	1,436,453	428,271,944
Loans and advances to customers	4,238,615	21,041,993	13,184,025	25,917,915	80,741,496	175,952,409	64,987,104	386,063,557
Accounts receivable	1,253,545	553,021	30,112	150,401	14,705	441,601	–	2,443,385
Financial assets held under resale agreements	746,068	–	11,898,840	–	130,964	471,383	–	13,247,255
Financial assets at fair value through other comprehensive income	4,227,563	–	9,054,914	14,978,895	44,605,167	65,991,149	8,728,017	147,585,705
Financial assets at amortized cost	16,103,312	2,312,590	13,074,001	13,563,498	81,202,152	146,642,305	–	272,897,858
Assets held for sale	18,226,322	260,051	5,023,850	2,234,612	5,803,534	19,973,013	15,194,148	66,715,530
Other financial assets	5,455,473	1,905,655	3,351,778	3,956,872	742,838	121,784	239,052	15,773,452
Total financial assets	380,231,883	92,330,069	76,279,655	73,511,129	231,202,224	492,609,867	90,584,774	1,436,749,601
Borrowings from central bank	(986,058)	–	–	–	(25,040)	–	–	(1,011,098)
Accounts payable to brokerage clients	–	(3,086,905)	(11,236,844)	–	–	–	–	(14,323,749)
Due to customers	–	(93,941,836)	(41,530,831)	(53,780,903)	(79,659,993)	(14,824,434)	(365,109)	(284,103,106)
Deposits from banks and financial institutions	–	(978,458)	(507,576)	(6,496,080)	(3,122,944)	(3,195,744)	(4,823)	(14,305,625)
Placements from banks and financial institutions	–	–	(7,305,821)	(3,782,400)	(3,014,120)	–	–	(14,102,341)
Financial liabilities at fair value through profit or loss	(16,941)	(77,572)	(3,445,263)	(972,209)	(399,194)	(154,077)	–	(5,065,256)
Financial assets sold under repurchase agreements	–	(1,791,560)	(9,308,489)	(1,136,864)	(6,930,046)	(505,671)	–	(19,672,630)
Borrowings	–	–	(16,256,368)	(80,360,737)	(332,129,868)	(122,735,798)	(27,688,312)	(579,171,083)
Bonds issued	–	–	(102,319)	(10,969,067)	(72,108,118)	(124,642,253)	(153,386,288)	(361,208,045)
Accounts payable	(34,011)	(4,749,307)	(120,925)	(121,335)	(25,219)	–	–	(5,050,797)
Liabilities held for sale	(1,799,310)	–	–	(1,078)	(3,235)	(5,733,039)	(8,731,346)	(16,268,008)
Other financial liabilities	(3,772,588)	(12,945,698)	(9,644,781)	(190,809)	(5,005,133)	(3,161,603)	(612,948)	(35,333,560)
Total financial liabilities	(6,608,908)	(117,571,336)	(99,459,217)	(157,811,482)	(502,422,910)	(274,952,619)	(190,788,826)	(1,349,615,298)
Net position	373,622,975	(25,241,267)	(23,179,562)	(84,300,353)	(271,220,686)	217,657,248	(100,204,052)	87,134,303

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

72. Financial risk management (continued)

72.3 Liquidity risk (continued)

Group (continued)

	As at December 31, 2018							
	Past due/ undated	On demand	Less than 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
Cash and balances with central banks	14,561,102	2,090,809	–	–	–	–	–	16,651,911
Deposits with banks and financial institutions	231,108	54,022,721	10,618,159	5,502,620	11,396,423	397,261	–	82,168,292
Placements with banks and financial institutions	–	–	14,316,859	2,443,585	1,785,559	–	–	18,546,003
Deposits with exchanges and others	967,699	–	–	–	–	–	–	967,699
Financial assets at fair value through profit or loss	299,702,238	4,445,579	7,571,857	3,249,503	27,372,072	79,630,464	21,707,243	443,678,956
Loans and advances to customers	5,872,673	18,358,332	13,819,929	23,832,766	86,059,312	179,829,274	49,683,707	377,455,993
Accounts receivable	2,446,400	479,910	8,518	446,123	1,069,733	–	–	4,450,684
Financial assets held under resale agreements	–	–	31,443,566	558,866	2,166,357	260,545	–	34,429,334
Financial assets at fair value through other comprehensive income	3,408,357	455	7,521,807	9,748,268	32,812,106	63,901,441	5,552,588	122,945,022
Financial assets at amortized cost	17,964,858	1,978,251	13,297,774	14,354,755	86,449,209	166,114,284	10,812,329	310,971,460
Other financial assets	3,911,180	4,289,696	1,776,309	264,184	2,929,203	129,762	1,401,852	14,702,186
Total financial assets	349,065,615	85,665,753	100,374,778	60,400,670	252,039,974	490,263,031	89,157,719	1,426,967,540
Borrowings from central bank	(986,058)	–	–	–	–	–	–	(986,058)
Accounts payable to brokerage clients	–	(10,316,531)	–	–	–	–	–	(10,316,531)
Due to customers	(930,892)	(52,909,466)	(84,274,008)	(45,344,533)	(62,012,664)	(10,659,857)	(237,557)	(256,368,977)
Deposits from banks and financial institutions	–	(878,403)	(3,975,679)	(8,605,059)	(6,101,933)	(3,253,930)	(127,131)	(22,942,135)
Placements from banks and financial institutions	–	(1,734)	(6,353,486)	(5,857,053)	(7,683,794)	–	(470,838)	(20,366,905)
Financial liabilities at fair value through profit or loss	–	(77,761)	(1,533,661)	(1,743,265)	(1,126,492)	(54,632)	–	(4,535,811)
Financial assets sold under repurchase agreements	–	(876,200)	(9,172,801)	(1,609,700)	(1,423,298)	–	–	(13,081,999)
Investment contract liabilities for policy holders	–	–	–	(214)	(2,149)	(1,931,380)	(11,272,273)	(13,206,016)
Borrowings	–	(86,703)	(23,264,036)	(57,599,703)	(313,990,832)	(189,901,671)	(20,126,058)	(604,969,003)
Bonds issued	–	–	(150,026)	(10,539,014)	(52,455,831)	(125,192,814)	(150,811,045)	(339,148,730)
Accounts payable	(66,294)	(4,699,488)	(238,254)	(130,225)	(169,552)	–	–	(5,303,813)
Other financial liabilities	(3,136,139)	(16,049,801)	(5,196,231)	(126,337)	(3,207,180)	(7,866,624)	(477,511)	(36,059,823)
Total financial liabilities	(5,119,383)	(85,896,087)	(134,158,182)	(131,555,103)	(448,173,725)	(338,860,908)	(183,522,413)	(1,327,285,801)
Net position	343,946,232	(230,334)	(33,783,404)	(71,154,433)	(196,133,751)	151,402,123	(94,364,694)	99,681,739

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

72. Financial risk management (continued)

72.3 Liquidity risk (continued)

Company

	As at December 31, 2019							
	Past due/ undated	On demand	Less than 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
Cash and balances with central banks	–	2,798	–	–	–	–	–	2,798
Deposits with banks and financial institutions	–	10,957,760	–	1,065,458	–	–	–	12,023,218
Financial assets at fair value through profit or loss	262,713,167	2,517,905	121,285	1,360,729	5,435,354	63,198,808	501,428	335,848,676
Accounts receivable	1,605	1,200	–	150,000	–	440,660	–	593,465
Financial assets held under resale agreements	–	–	10,485,873	–	–	–	–	10,485,873
Amounts due from subsidiaries	4,673	1,665,229	1,662,316	12,609,381	16,437,791	12,921,921	–	45,301,311
Financial assets at fair value through other comprehensive income	4,199,647	–	–	–	–	–	–	4,199,647
Financial assets at amortized cost	12,762,483	–	12,960,852	12,089,923	73,231,233	114,731,143	–	225,775,634
Interests in consolidated structured entities	3,804,365	–	–	1,274,098	1,266,807	14,087,611	581,076	21,013,957
Other financial assets	2,781,205	798,838	35,200	46,800	92,762	–	237,392	3,992,197
Total financial assets	286,267,145	15,943,730	25,265,526	28,596,389	96,463,947	205,380,143	1,319,896	659,236,776
Borrowings from central bank	(986,058)	–	–	–	–	–	–	(986,058)
Financial liabilities at fair value through profit or loss	–	–	–	(106,876)	(267,978)	(343,123)	–	(717,977)
Borrowings	–	–	(15,170,332)	(69,696,345)	(285,743,863)	(67,006,110)	–	(437,616,650)
Bonds issued	–	–	–	(1,281,273)	(54,434,865)	(41,370,489)	(84,467,055)	(181,553,682)
Other financial liabilities	(536,971)	(5,559,592)	–	–	(211,500)	–	–	(6,308,063)
Total financial liabilities	(1,523,029)	(5,559,592)	(15,170,332)	(71,084,494)	(340,658,206)	(108,719,722)	(84,467,055)	(627,182,430)
Net position	284,744,116	10,384,138	10,095,194	(42,488,105)	(244,194,259)	96,660,421	(83,147,159)	32,054,346

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

72. Financial risk management (continued)

72.3 Liquidity risk (continued)

Company (continued)

	As at December 31, 2018							
	Past due/ undated	On demand	Less than 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
Cash and balances with central banks	–	2,892	–	–	–	–	–	2,892
Deposits with banks and financial institutions	–	9,337,114	–	–	2,129,075	–	–	11,466,189
Financial assets at fair value through profit or loss	237,877,800	361,922	2,252,876	–	11,276,769	54,514,934	12,791,221	319,075,522
Accounts receivable	80,049	–	–	445,524	10,000	–	–	535,573
Financial assets held under resale agreements	–	–	21,114,252	–	–	–	–	21,114,252
Financial assets at fair value through other comprehensive income	3,379,133	–	–	–	–	–	–	3,379,133
Financial assets at amortized cost	12,810,946	–	13,132,951	13,852,944	81,268,197	136,862,459	–	257,927,497
Amounts due from subsidiaries	–	1,629,334	166,744	17,351,645	15,367,574	3,167,244	–	37,682,541
Interests in consolidated structured entities	3,182,634	–	136,748	55,289	8,247,714	10,544,832	1,014,051	23,181,268
Other financial assets	2,738,119	1,954,640	–	–	–	–	1,399,434	6,092,193
Total financial assets	260,068,681	13,285,902	36,803,571	31,705,402	118,299,329	205,089,469	15,204,706	680,457,060
Borrowings from central bank	(986,058)	–	–	–	–	–	–	(986,058)
Financial liabilities at fair value through profit or loss	–	–	–	–	–	(739,392)	–	(739,392)
Borrowings	–	–	(19,679,192)	(44,675,986)	(269,173,563)	(143,693,936)	–	(477,222,677)
Bonds issued	–	–	–	(10,526,624)	(28,821,679)	(48,722,141)	(87,465,776)	(175,536,220)
Accounts payable	–	–	–	–	(168,760)	–	–	(168,760)
Other financial liabilities	(472,113)	(4,679,051)	–	–	(89,460)	(1,610,934)	–	(6,851,558)
Total financial liabilities	(1,458,171)	(4,679,051)	(19,679,192)	(55,202,610)	(298,253,462)	(194,766,403)	(87,465,776)	(661,504,665)
Net position	258,610,510	8,606,851	17,124,379	(23,497,208)	(179,954,133)	10,323,066	(72,261,070)	18,952,395

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

72. Financial risk management (continued)

72.3 Liquidity risk (continued)

Analysis of the remaining maturity of the financial assets and financial liabilities

Group

	As at December 31, 2019							
	Past due/ undated	On demand	Less than 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
Cash and balances with central banks	14,282,968	4,719,083	–	–	–	–	–	19,002,051
Deposits with banks and financial institutions	225,157	52,819,805	7,734,218	7,042,236	2,845,194	170,983	–	70,837,593
Placements with banks and financial institutions	–	–	9,196,767	1,177,215	778,318	–	–	11,152,300
Deposits with exchanges and others	1,323,359	–	–	–	–	–	–	1,323,359
Financial assets at fair value through profit or loss	308,932,315	6,718,282	2,740,196	3,446,859	11,633,424	77,756,863	936,644	412,164,583
Loans and advances to customers	2,789,490	21,037,238	12,279,822	23,689,184	73,428,974	155,886,832	48,747,524	337,859,064
Accounts receivable	1,253,545	553,021	30,112	150,401	14,705	400,941	–	2,402,725
Financial assets held under resale agreements	738,682	–	11,877,389	–	129,667	466,716	–	13,212,454
Financial assets at fair value through other comprehensive income	4,227,563	–	9,047,658	14,943,583	44,107,086	62,056,815	2,420,260	136,802,965
Financial assets at amortized cost	12,304,831	2,312,590	10,303,881	12,744,714	73,068,357	116,910,694	–	227,645,067
Assets held for sale	18,208,998	260,051	4,914,502	2,037,270	5,008,764	17,435,691	11,090,124	58,955,400
Other financial assets	5,455,473	1,905,655	3,194,443	3,847,532	360,071	95,993	238,588	15,097,755
Total financial assets	369,742,381	90,325,725	71,318,988	69,078,994	211,374,560	431,181,528	63,433,140	1,306,455,316
Borrowings from central bank	(986,058)	–	–	–	(24,802)	–	–	(1,010,860)
Accounts payable to brokerage clients	–	(3,086,905)	(11,233,439)	–	–	–	–	(14,320,344)
Due to customers	–	(93,941,836)	(41,405,382)	(53,517,292)	(78,641,877)	(7,389,881)	(309,498)	(275,205,766)
Deposits from banks and financial institutions	–	(978,458)	(502,550)	(6,429,782)	(3,090,727)	(3,150,835)	(4,776)	(14,157,128)
Placements from banks and financial institutions	–	–	(7,301,734)	(3,769,192)	(3,013,893)	–	–	(14,084,819)
Financial liabilities at fair value through profit or loss	(16,941)	(77,572)	(3,445,263)	(972,209)	(399,194)	(154,077)	–	(5,065,256)
Financial assets sold under repurchase agreements	–	(1,791,560)	(9,216,325)	(1,125,608)	(6,861,432)	(500,665)	–	(19,495,590)
Borrowings	–	–	(15,192,423)	(77,424,457)	(322,986,601)	(99,781,056)	(21,206,767)	(536,591,304)
Bonds issued	–	–	(102,137)	(10,879,118)	(70,407,570)	(113,752,923)	(109,707,818)	(304,849,566)
Accounts payable	(34,011)	(4,749,307)	(120,925)	(121,335)	(25,219)	–	–	(5,050,797)
Liabilities held for sale	(1,799,310)	–	–	(1,078)	(3,235)	(5,733,039)	(8,011,675)	(15,548,337)
Other financial liabilities	(3,772,588)	(12,930,919)	(9,643,807)	(189,011)	(4,997,731)	(3,142,732)	(612,205)	(35,288,993)
Total financial liabilities	(6,608,908)	(117,556,557)	(98,163,985)	(154,429,082)	(490,452,281)	(233,605,208)	(139,852,739)	(1,240,668,760)
Net position	363,133,473	(27,230,832)	(26,844,997)	(85,350,088)	(279,077,721)	197,576,320	(76,419,599)	65,786,556

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

72. Financial risk management (continued)

72.3 Liquidity risk (continued)

Analysis of the remaining maturity of the financial assets and financial liabilities (continued)

Group (continued)

	As at December 31, 2018							
	Past due/ undated	On demand	Less than 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
Cash and balances with central banks	14,561,102	2,090,809	–	–	–	–	–	16,651,911
Deposits with banks and financial institutions	231,108	52,812,945	10,247,504	5,457,596	11,144,765	208,664	–	80,102,582
Placements with banks and financial institutions	–	–	14,311,769	2,425,371	1,733,357	–	–	18,470,497
Deposits with exchanges and others	967,699	–	–	–	–	–	–	967,699
Financial assets at fair value through profit or loss	295,165,831	4,445,579	7,261,702	2,941,829	24,998,627	73,781,975	20,195,493	428,791,036
Loans and advances to customers	4,633,260	18,250,607	12,554,513	20,965,152	75,032,689	165,435,840	39,744,441	336,616,502
Accounts receivable	2,147,652	479,908	8,518	446,123	1,069,733	–	–	4,151,934
Financial assets held under resale agreements	–	–	31,408,385	457,526	1,743,142	196,011	–	33,805,064
Financial assets at fair value through other comprehensive income	3,407,026	–	7,412,346	9,566,753	31,508,462	60,347,458	4,585,533	116,827,578
Financial assets at amortized cost	9,831,021	1,978,251	12,541,762	13,653,889	77,182,677	133,113,958	4,115,158	252,416,716
Other financial assets	3,911,180	4,242,485	1,748,942	252,537	2,879,463	98,453	1,401,852	14,534,912
Total financial assets	334,855,879	84,300,584	97,495,441	56,166,776	227,292,915	433,182,359	70,042,477	1,303,336,431
Borrowings from central bank	(986,058)	–	–	–	–	–	–	(986,058)
Accounts payable to brokerage clients	–	(10,315,842)	–	–	–	–	–	(10,315,842)
Due to customers	(930,892)	(52,909,466)	(84,232,814)	(45,073,503)	(60,989,667)	(9,726,019)	(237,557)	(254,099,918)
Deposits from banks and financial institutions	–	(878,403)	(3,975,679)	(8,605,059)	(6,099,571)	(2,721,933)	(100,104)	(22,380,749)
Placements from banks and financial institutions	–	(1,734)	(6,351,027)	(5,841,736)	(7,553,315)	–	(470,838)	(20,218,650)
Financial liabilities at fair value through profit or loss	–	(77,761)	(1,532,167)	(1,739,081)	(1,119,708)	(54,632)	–	(4,523,349)
Financial assets sold under repurchase agreements	–	(876,200)	(9,172,327)	(1,606,631)	(1,315,049)	–	–	(12,970,207)
Investment contract liabilities for policyholders	–	–	–	(214)	(2,149)	(1,931,380)	(11,272,273)	(13,206,016)
Borrowings	–	–	(23,062,848)	(52,136,061)	(299,673,093)	(177,999,831)	(17,998,317)	(570,870,150)
Bonds issued	–	–	(149,681)	(10,430,580)	(51,138,518)	(114,418,191)	(106,978,096)	(283,115,066)
Accounts payable	(66,294)	(4,699,488)	(238,254)	(130,225)	(169,552)	–	–	(5,303,813)
Other financial liabilities	(3,136,139)	(16,041,999)	(5,196,231)	(126,337)	(3,207,180)	(7,866,624)	(477,511)	(36,052,021)
Total financial liabilities	(5,119,383)	(85,800,893)	(133,911,028)	(125,689,427)	(431,267,802)	(314,718,610)	(137,534,696)	(1,234,041,839)
Net position	329,736,496	(1,500,309)	(36,415,587)	(69,522,651)	(203,974,887)	118,463,749	(67,492,219)	69,294,592

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

72. Financial risk management (continued)

72.3 Liquidity risk (continued)

Analysis of the remaining maturity of the financial assets and financial liabilities (continued)

Company

	As at December 31, 2019							
	Past due/ undated	On demand	Less than 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
Cash and balances with central banks	–	2,798	–	–	–	–	–	2,798
Deposits with banks and financial institutions	–	10,957,760	–	1,061,168	–	–	–	12,018,928
Financial assets at fair value through profit or loss	259,452,145	1,020,855	–	153,667	2,733,090	59,647,247	501,429	323,508,433
Accounts receivable	1,605	1,200	–	150,000	–	400,000	–	552,805
Financial assets held under resale agreements	–	–	10,479,747	–	–	–	–	10,479,747
Amounts due from subsidiaries	4,673	1,665,229	1,660,974	12,555,309	16,183,089	11,527,458	–	43,596,732
Financial assets at fair value through other comprehensive income	4,199,647	–	–	–	–	–	–	4,199,647
Financial assets at amortized cost	8,964,002	–	10,243,254	11,820,799	67,451,294	88,886,542	–	187,365,891
Interests in consolidated structured entities	3,571,236	–	–	1,205,059	1,190,735	11,878,497	545,467	18,390,994
Other financial assets	2,781,205	798,838	35,200	46,800	92,762	–	237,392	3,992,197
Total financial assets	278,974,513	14,446,680	22,419,175	26,992,802	87,650,970	172,339,744	1,284,288	604,108,172
Borrowings from central bank	(986,058)	–	–	–	–	–	–	(986,058)
Financial liabilities at fair value through profit or loss	–	–	–	(106,876)	(267,978)	(343,123)	–	(717,977)
Borrowings	–	–	(14,108,225)	(66,928,875)	(279,905,632)	(65,144,193)	–	(426,086,925)
Bonds issued	–	–	–	(1,270,857)	(53,067,368)	(38,688,619)	(61,889,972)	(154,916,816)
Other financial liabilities	(536,971)	(5,559,592)	–	–	(211,500)	–	–	(6,308,063)
Total financial liabilities	(1,523,029)	(5,559,592)	(14,108,225)	(68,306,608)	(333,452,478)	(104,175,935)	(61,889,972)	(589,015,839)
Net position	277,451,484	8,887,088	8,310,950	(41,313,806)	(245,801,508)	68,163,809	(60,605,684)	15,092,333

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

72. Financial risk management (continued)

72.3 Liquidity risk (continued)

Analysis of the remaining maturity of the financial assets and financial liabilities (continued)

Company (continued)

	As at December 31, 2018							
	Past due/ undated	On demand	Less than 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
Cash and balances with central banks	–	2,892	–	–	–	–	–	2,892
Deposits with banks and financial institutions	–	9,337,114	–	–	2,129,075	–	–	11,466,189
Financial assets at fair value through profit or loss	236,634,752	361,922	2,084,869	–	10,643,095	51,101,692	11,837,438	312,663,768
Accounts receivable	80,049	–	–	445,524	10,000	–	–	535,573
Financial assets held under resale agreements	–	–	21,091,389	–	–	–	–	21,091,389
Financial assets at fair value through other comprehensive income	3,379,133	–	–	–	–	–	–	3,379,133
Financial assets at amortized cost	8,165,973	–	12,487,903	13,450,172	74,473,682	107,814,485	–	216,392,215
Amounts due from subsidiaries	–	1,629,334	166,650	17,258,830	14,929,652	2,809,597	–	36,794,063
Interests in consolidated structured entities	2,934,829	–	126,100	54,129	7,140,344	9,505,681	935,096	20,696,179
Other financial assets	2,738,119	1,954,640	–	–	–	–	1,399,434	6,092,193
Total financial assets	253,932,855	13,285,902	35,956,911	31,208,655	109,325,848	171,231,455	14,171,968	629,113,594
Borrowings from central bank	(986,058)	–	–	–	–	–	–	(986,058)
Financial liabilities at fair value through profit or loss	–	–	–	–	–	(739,392)	–	(739,392)
Borrowings	–	–	(19,609,452)	(40,169,952)	(257,718,153)	(138,964,678)	–	(456,462,235)
Bonds issued	–	–	–	(10,418,190)	(27,980,837)	(44,998,123)	(61,858,693)	(145,255,843)
Accounts payable	–	–	–	–	(168,760)	–	–	(168,760)
Other financial liabilities	(472,113)	(4,679,051)	–	–	(89,460)	(1,610,934)	–	(6,851,558)
Total financial liabilities	(1,458,171)	(4,679,051)	(19,609,452)	(50,588,142)	(285,957,210)	(186,313,127)	(61,858,693)	(610,463,846)
Net position	252,474,684	8,606,851	16,347,459	(19,379,487)	(176,631,362)	(15,081,672)	(47,686,725)	18,649,748

VI. EXPLANATORY NOTES (continued)

72. Financial risk management (continued)

72.4 Risk management of distressed assets

(i) Overview

Risk of distressed assets represents the potential loss that may arise from counterparty's failure to meet its obligation or changes in market conditions that lead to decline in asset value. Risk of distressed assets can also arise from operational failures due to unauthorized or inappropriate purchase, disposal or management activities, which result in the recoverable amount of the distressed assets lower than their carrying amounts.

Such distressed assets include acquisition-operation distressed assets, restructured distressed assets and equity instruments obtained through debt-to-equity swap.

(ii) Risk management of distressed debt assets

The Group exercises standardized management procedures, including project initiation, due diligence investigation, design and approval of recovery plan and continuous monitoring and management. The Group enhances its risk management by strengthening investigation, review and approval procedures before the recovery of distressed assets, and monitoring measures after the recovery of distressed assets; enhancing risk mitigation effect through collateral; and continuously upgrading the management system of distressed assets.

Specifically, the risks to which distressed debts financial assets at fair value through profit or loss mainly comprise valuation risk, legal title risk and to certain extent credit risk; while the risks to which distressed debts at amortized cost mainly comprise credit risk.

VI. EXPLANATORY NOTES (continued)

72. Financial risk management (continued)

72.4 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.

VI. EXPLANATORY NOTES (continued)

72. Financial risk management (continued)

72.4 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, credit risk arises in such situation. Credit risk represents the potential loss that may arise from the failure of a customer or counterparty's failure to meet its obligation. Characters of the credit risk management system of the Group include:

- Applying centralized policy and procedures throughout the Group;
- Enforce strict management system on the credentials of authorized supervisors; and
- Apply more stringent risk management rules and procedures, which include customer investigation, project evaluation, investigation and approval, project execution and post-event management for distressed assets at amortized cost.

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)

72. Financial risk management (continued)

72.4 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.72.1 Credit Risk.

VI. EXPLANATORY NOTES (continued)

72. Financial risk management (continued)

72.5 Insurance risk

Insurance risk refers to the uncertainty of the claim amount and timing arising from the unpredictable occurrence of the insured events. The major insurance risk to which the Group exposes arises from the insurance payment exceeding the associated insurance or investment contract liabilities the Group recognizes. The uncertainty mainly arises from the claim ratio, significance of the claim, actual payment and the progress of long-term claims. Insurance risk management is one of the risk management objectives of the Group. Solvency is the primary indicator for the Group's insurance operation. The Group manages to provide sufficient insurance or investment contract liabilities to meet the obligation for insurance payment.

(i) Types of insurance risks

Insurance risks could arise in various situations, including the difference between the actual and estimated frequency of insurance events incurred (frequency risk), the difference between the actual and estimated cost of a risk event (severity risk) and the change of the amount of obligations to policyholders at maturity of the insurance contract (developing risk).

The business scope of the Group's insurance operation includes long-term life and savings insurance and property and casualty insurance. For insurance contracts covering death benefits, factors like infectious diseases enormous changes of lifestyles and natural disasters could increase the overall claim ratio. Actual insurance payments and timing of the payments may be much higher or earlier than expected. For insurance contracts covering survival benefits, most important factors that may have an impact on insurance risk are the continuous improvement of the medical treatment level and social welfare which lead to a longer lifetime. For property and casualty insurance contract, claims are usually affected by natural disasters and catastrophe.

Specifically, insurance risks comprise pricing risk, insurance reserve risk and reinsurance risk.

VI. EXPLANATORY NOTES (continued)

72. Financial risk management (continued)

72.5 Insurance risk (continued)

(i) Types of insurance risks (continued)

(1) Pricing risk

Pricing risk is the negative impact arising from the difference between the actual results and estimations used in the assumptions relating to the mortality ratio, morbidity ratio, lapse rate, investment yield and cost ratio. Measures that the Group undertakes to minimize the risks include:

- Use a conservative incurrence rate and a margin for product pricing; closely monitor the performance of the products after launched; adjust the product price based on the difference between actual results and pricing assumptions;
- Set up a plan for strategic asset allocation and set a pricing margin based on the long-term investment yield associated with the strategic asset allocation; and
- Set up a plan for business planning and expense budgeting and reinforce a rigorous expense management system.

(2) Insurance reserve risk

Insurance reserve risk is the risk that the insurance reserve provided is not sufficient that fulfill the obligation for claims due to the use of an inappropriate standard or method. Measures the Group takes to minimize the risk include:

- Calculate the insurance reserve based on reasonable estimation of obligations to claims and perform adequacy testing at the end of each reporting period, that covers long-term life insurance contract liabilities and short-term insurance contract liabilities which include unearned premium reserves and claim reserves; and
- Assess solvency adequacy of the Group based on the solvency policy reserves and carry out supervisory measures on solvency.

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

72. Financial risk management (continued)

72.5 Insurance risk (continued)

(i) Types of insurance risks (continued)

(3) Reinsurance risk

Reinsurance risk is the risk of loss arising from unexpected severe insurance payment due to inappropriate reinsurance arrangement on the allocation of the risk ceded and retained. At the same time, the Group still has direct obligation to policyholders although there is reinsurance arrangement in place. Therefore, the Group is exposed to credit risks arising from the reinsurers' default on reinsurance contacts. Measures that the Group takes to minimize the risk include:

- Allocate insurance risks ceded and retained appropriately and make adjustment dynamically according to the business development of the Group;

- Arrange reinsurance properly and select reinsurers with good creditworthiness to share risks. Selection criteria adopted by the Group include financial capability, service quality, reinsurance terms, claim handling efficiency and prices, etc.

(ii) Concentration of insurance risk

All insurance operations of the Group are located in the PRC. There are no significant differences among the regions where the Group underwrites insurance contracts.

(1) The table below summarizes the Group's gross written premiums by the major type of insurance contract:

	Year ended December 31			
	2019		2018	
	Amount	**%**	Amount	%
Life insurance	**8,246,525**	**100.0**	9,165,684	100.0
Total	**8,246,525**	**100.0**	9,165,684	100.0

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

72. Financial risk management (continued)

72.5 Insurance risk (continued)

(ii) Concentration of insurance risk (continued)

(2) The table below summarizes the Group's major types of insurance contract liability:

	Year ended December 31			
	2019		2018	
	Amount	**%**	Amount	%
Life insurance	**40,440,025**	**96.2**	36,500,450	97.1
Health insurance contract	**1,493,017**	**3.6**	1,011,049	2.7
Others	**85,586**	**0.2**	95,075	0.2
Total	**42,018,628**	**100.0**	37,606,574	100.0

(iii) Key assumptions and sensitivity analysis

(1) Property and casualty insurance contract and short-term life insurance contract

The primary assumption that has an impact on the property and casualty insurance contract and short-term life insurance contract of the Group is the historical claim ratio. Other assumption is mainly about delay in payment. The table below illustrates the potential impact of a reasonable change of the insurance claim ratio on the Group's profit before tax and equity, when other assumptions remain unchanged.

	As at December 31			
	2019		2018	
	Profit before tax	**Equity**	Profit before tax	Equity
+1%	**(26,184)**	**(26,184)**	(27,234)	(27,234)
-1%	**26,184**	**26,184**	27,234	27,234

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

72. Financial risk management (continued)

72.5 Insurance risk (continued)

(iii) Key assumptions and sensitivity analysis (continued)

(2) Long-term life and health insurance contract

For long-term life and health insurance contract, key assumptions include the mortality ratio, morbidity ratio, lapse rate, discount rate, cost rate, etc. The Group bases its mortality assumptions on China Life Insurance Mortality Table (2000-2003), adjusted where appropriate to reflect the Group's recent historical mortality experience. The Group bases its morbidity assumptions for critical illness products on the analysis of information provided by reinsurance companies and historical experience. Cost rate assumptions of the Group reflect the current and expected future operating results. All these assumptions mentioned above are consistent with market practice or other publicly available information.

For insurance contract that the future insurance benefits are not linked to the investment returns of the associated asset portfolios, the Group bases its discount rate assumptions on the interest rate appropriate for the cash flow period and risk characteristics of the associated liabilities. For those that are linked to the investment returns, the Group bases its discount rate assumptions on the expected future investment yield of the associated asset portfolios.

The table below illustrates the potential impact of a 10 basis points' change of the discount rates on the Group's profit before tax and equity, when other assumptions remain unchanged.

	As at December 31			
	2019		2018	
	Profit before tax	**Equity**	Profit before tax	Equity
+10bps	**19,599**	**19,599**	20,470	20,470
-10bps	**(20,128)**	**(20,128)**	(20,999)	(20,999)

The table below illustrates the potential impact of a 10% change of expense rates on the Group's profit before tax and equity, when other assumptions remain unchanged.

	As at December 31			
	2019		2018	
	Profit before tax	**Equity**	Profit before tax	Equity
+10%	**(161,264)**	**(161,264)**	(140,920)	(140,920)
-10%	**161,264**	**161,264**	140,920	140,920

VI. EXPLANATORY NOTES (continued)

72. Financial risk management (continued)

72.6 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, 2019 and 2018, the Company complied with the regulatory requirements on the minimum CAR.

VI. EXPLANATORY NOTES (continued)

73. 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, 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.

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

73. Fair values of financial instruments (continued)

73.1 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			
	2019		2018	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets				
Financial assets at amortized cost				
– Distressed debt assets	186,435,373	181,988,931	214,853,205	212,848,831
– Other debt investments	41,209,694	41,185,327	37,563,511	37,563,511
Accounts receivable	2,402,725	2,368,981	4,151,934	4,150,221
Total	230,047,792	225,543,239	256,568,650	254,562,563
Financial liabilities				
Borrowings	(536,591,304)	(536,982,325)	(570,870,150)	(573,323,035)
Bonds issued	(304,849,566)	(310,212,174)	(283,115,066)	(285,145,053)
Total	(841,440,870)	(847,194,499)	(853,985,216)	(858,468,088)

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

73. Fair values of financial instruments (continued)

73.1 Fair values of financial assets and financial liabilities that are not measured at fair value on a recurring basis (continued)

Group (continued)

	As at December 31, 2019			
	Level 1	**Level 2**	**Level 3**	**Total**
Financial assets				
Financial assets at amortized cost				
– Distressed debt assets	**–**	**–**	**181,988,931**	**181,988,931**
– Other debt investments	**2,791,417**	**545,262**	**37,848,648**	**41,185,327**
Accounts receivable	**–**	**–**	**2,368,981**	**2,368,981**
Total	**2,791,417**	**545,262**	**222,206,560**	**225,543,239**
Financial liabilities				
Borrowings	**–**	**–**	**(536,982,325)**	**(536,982,325)**
Bonds issued	**–**	**(216,832,097)**	**(93,380,077)**	**(310,212,174)**
Total	**–**	**(216,832,097)**	**(630,362,402)**	**(847,194,499)**

	As at December 31, 2018			
	Level 1	Level 2	Level 3	Total
Financial assets				
Financial assets at amortized cost				
– Distressed debt assets	–	–	212,848,831	212,848,831
– Other debt investments	3,075,150	5,803,613	28,684,748	37,563,511
Accounts receivable	–	–	4,150,221	4,150,221
Total	3,075,150	5,803,613	245,683,800	254,562,563
Financial liabilities				
Borrowings	–	–	(573,323,035)	(573,323,035)
Bonds issued	–	(198,876,547)	(86,268,506)	(285,145,053)
Total	–	(198,876,547)	(659,591,541)	(858,468,088)

The fair values of the financial assets and financial liabilities included in Level 2 and Level 3 above have been determined in accordance with generally accepted pricing models based on a discounted cash flow analysis, with the most significant input being the discount rate that reflects the credit risk of counterparties.

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

73. Fair values of financial instruments (continued)

73.2 Fair values of financial assets and financial liabilities that are measured at fair value on a recurring basis

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of the reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined, including their fair value hierarchy, valuation technique(s) and key inputs used.

Group

Financial assets/ financial liabilities	Fair value as at December 31 2019	2018	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
1) Financial assets classified as at fair value through profit or loss	**412,164,583**	428,791,036				
Debt securities	**11,566,108**	11,359,204				
– Traded in stock exchanges	**3,208,331**	4,566,686	Level 1	• Quoted bid prices in an active market.	N/A	N/A
– Traded in the inter-bank markets	**1,871,434**	2,515,534	Level 2	• Quoted market prices from dealers or independent pricing service vendors.	N/A	N/A
– Traded over the counter	**5,968,207**	4,158,723				
– Traded in inactive markets	**518,136**	118,261	Level 3	• Discounted cash flows for the debt component and binomial option pricing model for the option component. • Future cash flows are estimated based on contractual amounts and coupon rates discounted at a rate that reflects the credit risk of the counterparty.	• Discount rates that correspond to the expected risk level. • Risk-free rates that are specific to the market. • Volatility rates that are in line with those of similar products.	• The lower the discount rates, the higher the fair value. • The lower the risk-free rate, the higher the fair value. • The higher the volatility rate, the higher the fair value.

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

73. Fair values of financial instruments (continued)

73.2 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 2019	2018	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
Equity investments listed or traded on exchanges	**9,565,812**	9,262,107				
Unrestricted listed equity investments	**6,962,603**	6,016,773	Level 1	• Quoted bid prices in an active market.	N/A	N/A
– Manufacturing	**2,734,171**	1,412,653				
– Finance	**1,056,873**	1,282,102				
– Leasing and commercial services	**111,172**	189,799				
– Mining	**566,009**	785,699				
– Transportation, warehousing and postal services	**523,789**	559,631				
– Information transmission, software and information technology services	**37,521**	327,662				
– Culture, sports and entertainment	**491,174**	500,761				
– Health and social security industry	**351,561**	221,160				
– Real estate	**255,868**	234,223				
– Others	**834,465**	503,083				
Preference shares	**–**	460,647	Level 2	• Quoted market prices from dealers or independent pricing service vendors.	N/A	N/A
– Financial service	**–**	460,647				
Restricted listed equity investments	**2,603,209**	2,784,687	Level 3	• Option Pricing Model.	• Stock volatility.	• The lower the stock volatility, the higher the fair value.
– Manufacturing	**56,387**	640,615				
– Culture, sports and entertainment	**12,090**	234,600				
– Mining	**1,922,423**	1,723,797				
– Others	**612,309**	185,675				

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

73. Fair values of financial instruments (continued)

73.2 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 2019	2018	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
Equity investments in unlisted companies	**55,791,190**	56,426,584				
	52,281,069	52,745,526	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.
	3,510,121	3,681,058	Level 3	• Income approach.	• Expected future cash flow. • Discount rates that correspond to the expected risk level.	• The higher the future cash flow, the higher the fair value. • The lower the discount rate, the higher the fair value.
Mutual funds	**91,214,796**	104,243,300				
– Mutual fund with open or active quotations	**4,709,575**	10,410,470	Level 1	• Quoted bid prices in an active market.	N/A	N/A
	8,367,469	4,195,827	Level 2	• Quoted market prices from dealers or independent pricing service vendors.	N/A	N/A
– Investing in debt instruments	**62,133,128**	73,024,063	Level 3	• Discounted cash flow with future cash flow that are estimated based on expected recoverable amounts, discounted at rates that reflect management's best estimation of the expected risk level.	• Expected recoverable amounts. • Expected recovery date. • Discount rates that correspond to the expected risk level.	• The higher the recoverable amounts, the higher the fair value. • The earlier the recovery date, the higher the fair value. • The lower the discount rates, the higher the fair value.

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

73. Fair values of financial instruments (continued)

73.2 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 2019	2018	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
– Investing in unrestricted listed equity	–	63,151	Level 1	• Quoted bid prices in an active market.	N/A	N/A
– Investing in restricted listed equity	531,089	697,844	Level 3	• Option Pricing Model.	• Stock volatility.	• The lower the stock volatility, the higher the fair value.
– Investing in other equity instruments	15,473,535	15,851,945	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.
Debt instruments	28,148,647	17,458,309				
– Other debt instruments	27,403,982	15,748,628	Level 3	• Discounted cash flow with future cash flows that are estimated based on expected recoverable amounts, discounted at rates that reflect management's best estimation of the expected risk level.	• Expected recoverable amounts. • Expected recovery date. • Discount rates that correspond to the expected risk level.	• The higher the recoverable amounts, the higher the fair value. • The earlier the recovery date, the higher the fair value. • The lower the discount rates, the higher the fair value.

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

73. Fair values of financial instruments (continued)

73.2 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 2019	2018	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
– Embedded derivative debts	**744,665**	1,709,681	Level 3	• Discounted cash flow for the debt component and binomial option pricing model for the option component.	• Expected future cash flow. • Discount rates that correspond to the expected risk level. • Stock price volatility.	• The higher the future cash flows, the higher the fair value. • The lower the discount rate, the higher the fair value. • The higher the stock price volatility, the higher the fair value.
Derivative financial assets	**619,316**	620,429				
	483,894	553,874	Level 1	• Quoted bid prices in an active market.	N/A	N/A
	135,422	66,555	Level 2	• Valuation techniques based on market data including interest rate and foreign exchange rate.	N/A	N/A
Interbank negotiate certificate of deposit	**59,162**	39,246	Level 2	• Quoted market prices from dealers or independent pricing service vendors.	N/A	N/A
Distressed debt assets	**197,621,332**	189,113,890	Level 3	• Discounted cash flow with future cash flows that are estimated based on expected recoverable amounts, discounted at rates that reflect management's best estimation of the expected risk level.	• Expected recoverable amounts. • Expected recovery date. • Discount rates that correspond to the expected risk level.	• The higher the recoverable amounts, the higher the fair value. • The earlier the recovery date, the higher the fair value. • The lower the discount rates, the higher the fair value.

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

73. Fair values of financial instruments (continued)

73.2 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 2019	Fair value as at December 31 2018	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
Wealth management products	**1,475,898**	3,072,818	Level 3	• Discounted cash flow with future cash flows that are estimated based on expected recoverable amounts, discounted at rates that reflect management's best estimation of the expected risk level.	• Expected future cash flow. • Expected recovery date. • Discount rates that correspond to the expected risk level.	• The higher the future cash flow, the higher the fair value. • The earlier the recovery date, the higher the fair value. • The lower the discount rate, the higher the fair value.
Asset management plans	**2,371,544**	11,561,633				
– Asset management plans with open or active quotations	**–**	3,583,304	Level 1	• Quoted bid prices in an active market.	N/A	N/A
– Investing in the portfolio with open or active quotations	**597,354**	835,279	Level 2	• Quoted market prices from dealers or independent pricing service vendors.	N/A	N/A
– Investing in debt instruments	**495,159**	5,696,845	Level 3	• Discounted cash flow with future cash flows that are estimated based on expected recoverable amounts, discounted at rates that reflect management's best estimation of the expected risk level.	• Expected future cash flow. • Expected recovery date. • Discount rates that correspond to the expected risk level.	• The higher the future cash flow, the higher the fair value. • The earlier the recovery date, the higher the fair value • The lower the discount rate, the higher the fair value.
– Investing in equity instruments	**1,279,031**	1,446,205	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.

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

73. Fair values of financial instruments (continued)

73.2 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 2019	2018	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
Asset-backed securities	**564,133**	1,345,740	Level 3	• Discounted cash flow with future cash flows that are estimated based on expected recoverable amounts, discounted at rates that reflect management's best estimation of the expected risk level.	• Expected future cash flow. • Expected recovery date. • Discount rates that correspond to the expected risk level.	• The higher the future cash flow, the higher the fair value. • The earlier the recovery date, the higher the fair value. • The lower the discount rate, the higher the fair value.
Trust products and rights to trust assets	**13,088,236**	24,214,547				
– Investing in the portfolio with open or active market quotations	**104,716**	4,868	Level 2	• Quoted market prices from dealers or independent pricing service vendors.	N/A	N/A
– Investing in debt instruments	**11,862,077**	21,122,564	Level 3	• Discounted cash flow with future cash flows that are estimated based on expected recoverable amounts, discounted at rates that reflect management's best estimation of the expected risk level.	• Expected future cash flow. • Expected recovery date. • Discount rates that correspond to the expected risk level.	• The higher the future cash flow, the higher the fair value. • The earlier the recovery date, the higher the fair value. • The lower the discount rate, the higher the fair value.
– Investing in equity instruments	**1,121,443**	3,087,115	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.

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

73. Fair values of financial instruments (continued)

73.2 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 2019	2018	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
Others	**78,409**	73,229				
– Investing in the portfolio with open or active market quotations	**8,229**	8,049	Level 2	• Quoted market prices from dealers or independent pricing service vendors.	N/A	N/A
– Investing in debt instruments	**70,180**	65,180	Level 3	• Discounted cash flow with future cash flows that are estimated based on expected recoverable amounts, discounted at rates that reflect management's best estimation of the expected risk level.	• Expected future cash flow. • Expected recovery date. • Discount rates that correspond to the expected risk level.	• The higher the future cash flow, the higher the fair value. • The earlier the recovery date, the higher the fair value • The lower the discount rate, the higher the fair value.
2) Loans and advances to customers at fair value through profit or loss						
– Loans and advances	**15,007,348**	10,615,171	Level 3	• Discounted cash flows with future cash flows that are estimated based on expected recoverable amounts, discounted at rates that reflect management's best estimation of the expected risk level.	• Expected recoverable amounts. • Expected recovery date. • Discount rates that correspond to the expected risk level.	• The higher the recoverable amounts, the higher the fair value. • The earlier the recovery date, the higher the fair value. • The lower the discount rates, the higher the fair value.
3) Financial assets at fair value through other comprehensive income	**136,802,965**	116,827,578				
Debt investments at fair value through other comprehensive income	**132,575,402**	113,420,552				

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

73. Fair values of financial instruments (continued)

73.2 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 2019	2018	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
Debt securities	**132,575,402**	113,420,552				
– Traded on stock exchanges	**18,278,609**	21,138,110	Level 1	• Quoted bid prices in an active market.	N/A	N/A
– Traded in inter-bank markets	**32,854,503**	32,918,490	Level 2	• Quoted market prices from dealers or independent pricing service vendors.	N/A	N/A
– Traded over the counter	**81,442,290**	59,363,952				
Equity instruments designated as at fair value through other comprehensive income	**4,227,563**	3,407,026				
Restricted listed equity investments	**4,199,647**	3,379,133				
– Manufacturing	**4,199,647**	3,379,133	Level 3	• Option pricing model.	• Stock volatility.	• The lower the stock volatility, the higher the fair value.
Unlisted equity instruments	**27,916**	27,893				
– Financial service	**27,916**	27,893	Level 3	• Income approach.	• Expected future cash flow. • Discount rates that correspond to the expected risk level.	• The higher the future cash flow, the higher the fair value. • The lower the discount rate, the higher the fair value.
4) Financial liabilities at fair value through profit or loss	**(5,065,256)**	(4,523,349)				
The OTC derivative financial liabilities	**(542,857)**	(314,718)	Level 2	• Calculated based on the quoted prices of similar assets traded in an active market.	N/A	N/A
Short positions in exchange fund bills and notes	**(4,522,399)**	(4,208,631)	Level 2	• Calculated based on the quoted prices of similar assets traded in an active market.	N/A	N/A

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

73. Fair values of financial instruments (continued)

73.2 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, 2019			
	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss	15,364,403	17,111,993	379,688,187	412,164,583
Loans and advances to customers	–	–	15,007,348	15,007,348
Financial assets at fair value through other comprehensive income	18,278,609	114,296,793	4,227,563	136,802,965
Total assets	33,643,012	131,408,786	398,923,098	563,974,896
Financial liabilities at fair value through profit or loss	–	(5,065,256)	–	(5,065,256)
Total liabilities	–	(5,065,256)	–	(5,065,256)

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

73. Fair values of financial instruments (continued)

73.2 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, 2018			
	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss	25,194,258	12,284,728	391,312,050	428,791,036
Loans and advances to customers	–	–	10,615,171	10,615,171
Financial assets at fair value through other comprehensive income	21,138,110	92,282,442	3,407,026	116,827,578
Total assets	46,332,368	104,567,170	405,334,247	556,233,785
Financial liabilities at fair value through profit or loss	–	(4,523,349)	–	(4,523,349)
Total liabilities	–	(4,523,349)	–	(4,523,349)

There were no transfers between Level 1 and Level 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.

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

73. Fair values of financial instruments (continued)

73.3 Reconciliation of Level 3 fair value measurements

Group

	Financial assets at FVTPL	Financial assets at FVOCI	Financial liabilities at FVTPL
As at January 1, 2019	391,312,050	3,407,026	–
Recognized in profit or loss	5,894,746	–	–
Recognized in other comprehensive income	–	820,537	–
Purchases	103,129,638	–	–
Settlements/disposals at cost	(120,111,571)	–	–
Transfer out from Level 3	(536,676)	–	–
As at December 31, 2019	379,688,187	4,227,563	–
Changes in unrealized gains or losses for the year included in profit or loss for assets held at the end of the year	3,013,414	–	–

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

73. Fair values of financial instruments (continued)

73.3 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, 2018	348,556,155	5,086,443	(2,775,000)
Recognized in profit or loss	(325,786)	–	–
Recognized in other comprehensive income	–	(1,154,077)	–
Purchases	162,016,521	4,548,434	–
Settlements/disposals at cost	(118,934,840)	(5,073,774)	2,775,000
As at December 31, 2018	391,312,050	3,407,026	–
Changes in unrealized gains or losses for the year included in profit or loss for assets held at the end of the year	(835,698)	–	–

During the year ended December 31, 2019, 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, 2019 and 2018 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, 2019 and 2018 are presented in “unrealized gains are 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.

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

74. 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 2019
Cash consideration paid	106,121
Other consideration paid	674,527

Analysis of assets and liabilities of the subsidiaries acquired:

	Year ended December 31 2019
Current assets	2,612,914
Non-current assets	2,421,946
Current liabilities	1,497,442
Non-current liabilities	2,284,552

Net cash flows arising on acquisition:

	Year ended December 31 2019
Cash consideration paid	106,121
Cash and cash equivalents acquired	337,426
Net cash inflows	231,305

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

75. 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 2019
Cash consideration received	84,889

Analysis of assets and liabilities of the subsidiaries disposed of:

	Year ended December 31 2019
Current assets	33,993
Non-current assets	14,029
Current liabilities	35,442
Non-current liabilities	10,103

Net cash flows arising on disposal:

	Year ended December 31 2019
Cash consideration received	84,889
Less: Cash and cash equivalents disposed of	1,811
Net cash inflows	83,078

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

76. Discontinued operation

On November 19, 2019, the Group publicly announced the decision of its Board of Directors to sell Happy Life, a wholly owned subsidiary, which represented the Group's insurance businesses. The Group decided to discontinue insurance businesses and focus on distressed asset management. At December 31, 2019, the Company had signed a legally binding agreement and classified Happy Life as held for sale. With Happy Life being classified as held for sale, the insurance businesses are no longer presented in the Group's segment note. Happy life constitutes a discontinued operation.

76.1 Profit/(loss) from the discontinued operation

	Year ended December 31	
	2019	2018
Fair value changes on other financial instruments	**2,475,453**	(1,016,029)
Investment income	**17,661**	1,510
Net insurance premiums earned (1)	**8,205,596**	9,128,643
Interest income	**913,090**	749,475
Commission and fee income	**36,882**	67,823
Other income and other net gains or losses	**(14,814)**	(8,770)
Total	**11,633,868**	8,922,652
Interest expense	**(322,114)**	(188,476)
Insurance costs (2)	**(9,015,980)**	(10,543,544)
Commission and fee expense	**(987,951)**	(921,245)
Employee benefits	**(653,977)**	(776,584)
Taxes and surcharges	**(7,105)**	(5,892)
Depreciation and amortization expenses	**(93,520)**	(63,172)
Other expenses	**(268,503)**	(331,652)
Impairment losses on assets	**(38,525)**	(2,799)
Total	**(11,387,675)**	(12,833,364)

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

76. Discontinued operation

76.1 Profit/(loss) from the discontinued operation

	Year ended December 31	
	2019	2018
Change in net assets attributable to other holders of consolidated structured entities	**298**	(7,056)
Profit before share of results of associates and joint ventures and tax	**246,491**	(3,917,768)
Share of results of associates and joint ventures	**26,733**	8,471
Profit/(loss) before tax from the discontinued operation	**273,224**	(3,909,297)
Income tax credit from the discontinued operation (3)	**1,227,175**	43,248
Profit/(loss) for the year from the discontinued operation	**1,500,399**	(3,866,049)
Earnings per share attributable to equity holders of the Company from the discontinued operation (Expressed in RMB Yuan per share)		
– Basic	**0.03**	(0.05)
– Diluted	**0.03**	(0.05)

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

76. Discontinued operation

76.1 Profit/(loss) from the discontinued operation

(1) Net insurance premiums earned

	Year ended December 31	
	2019	2018
Gross written premiums	**8,246,525**	9,165,684
Less: Premiums ceded to reinsurers	**36,096**	20,666
Change of unearned premium reserves	**4,833**	16,375
Total	**8,205,596**	9,128,643

Details of the Group's gross written premiums analyzed by type of insurance are set out below:

	Year ended December 31	
	2019	2018
Life insurance	**8,246,525**	9,165,684
Total	**8,246,525**	9,165,684

(2) Insurance costs

	Year ended December 31	
	2019	2018
Reserves for insurance contracts	**(4,264,855)**	2,301,578
Interest credited and policyholder dividends	**(666,832)**	(1,112,969)
Refund of reinsurance premiums	**19,417**	9,034
Other insurance expenses	**(4,103,710)**	(11,741,187)
Total	**(9,015,980)**	(10,543,544)

（3） Income tax credit from the discontinued operation

In 2019, Happy Life was classified as held for sale, and the Group recognized deferred tax asset of approximately RMB1.2 billion due to deductible temporary difference resulted from cumulative losses of Happy Life.

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

76. Discontinued operation

76.2 Net cash flows from the discontinued operation

	Year ended December 31	
	2019	2018
Operating	**(4,099,742)**	(12,378,292)
Investing	**8,590,617**	2,879,605
Financing	**(4,533,478)**	7,033,168
Net cash outflow	**(42,603)**	(2,465,519)

76.3 Assets and liabilities held for sale

	As at December 31, 2019
Assets	
Cash and balances with central banks	**27**
Deposits with banks and financial institutions	**626,574**
Deposits with exchanges and others	**11,466**
Financial assets at fair value through profit or loss	**31,499,440**
Financial assets held under resale agreements	**3,034,522**
Financial assets at fair value through other comprehensive income	**6,595,976**
Financial assets at amortized cost	**14,432,893**
Accounts receivable	**157,527**
Investment properties	**2,555**
Interests in associates and joint ventures	**798,552**
Property and equipment	**223,323**
Other intangible assets	**42,624**
Deferred tax assets	**1,279,149**
Other assets	**2,689,550**
Total	**61,394,178**
Liabilities	
Accounts payable	**30,020**
Investment contract liabilities for policyholders	**7,668,791**
Insurance contract liabilities	**42,018,628**
Bonds issued	**6,015,639**
Deferred tax liabilities	**68,710**
Other liabilities	**2,122,351**
Total	**57,924,139**

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

76. Discontinued operation

76.4 Other comprehensive income from the discontinued operation

	As at December 31, 2019
Other comprehensive income	**(51,216)**

77. Comparative amounts

77.1 The comparative consolidated statement of profit or loss has been re-presented as if the operation discontinued during the current year had been discontinued at the beginning of the comparative period.

77.2 The Group has adopted IFRS 16 from January 1, 2019 and applied the modified retrospective approach without restating comparative figures. The comparative figures continued to be reported under the requirements of the previous standard, IAS 17, and related interpretations.

VII. EVENTS AFTER THE REPORTING PERIOD

1. Pursuant to the meeting of the Board of Directors on March 31, 2020, the proposal of the profit appropriations of the Company for the year ended December 31, 2019 is set out as follows:

   (1) An appropriation of RMB652,264 thousand to the statutory surplus reserve;

   (2) No general reserve to be appropriated basing on risk assets as at December 31, 2019; and

   (3) A cash dividend distribution of RMB1.026 per 10 shares (tax inclusive), which is RMB3.916 billion in total in respect of the year.

   As at December 31, 2019, 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.

VII. EVENTS AFTER THE REPORTING PERIOD (continued)

2. The Company successfully completed issuance of the first tranche of financial bonds in an aggregate amount of RMB10 billion and the second tranche of financial bonds in an aggregate amount of RMB15 billion in the national interbank bond market in China on March 3, 2020 and March 18, 2020 respectively. Principal terms of financial bonds as following:

   (1) RMB10 billion of first tranche of financial bonds will expire in 2030, with coupon rate of 3.90%, payable annually;

   (2) RMB5 billion of second tranche of financial bonds will expire in 2023, with coupon rate of 2.85%, payable annually;

   (3) RMB10 billion of second tranche of financial bonds will expire in 2030, with coupon rate of 3.90%, payable annually.

3. Since the outbreak of the novel coronavirus disease 2019 ("COVID-19") in January 2020, the prevention and control of the COVID-19 has been going on throughout the country. The Group will earnestly implement the requirements of the Notice on Further Strengthening the Financial Support for Prevention and Control of the COVID-19, which was jointly issued by the PBOC, the MOF, the CBIRC, the China Securities Regulatory Commission and the State Administration of Foreign Exchange, and strengthen support for the prevention and control of the COVID-19 epidemic.

   At present, the Group's operation is generally stable, while the COVID-19 epidemic has taken a phased toll on the economy, and thus likely has impacted the quality or the yields of the assets of the Group to a certain extend. The magnitude of the impact depends on the situation of the epidemic preventive measures, the duration of the epidemic and the implementation of regulatory policies. The ECL of the Group at 31 December 2019 was estimated based on a range of forecast economic conditions as at that date.

   The Group will continuously and closely monitor the developments of the COVID-19 epidemic as well as various regulatory policies, evaluate and proactively address its impacts on the Group's financial position and performance of the Group. As of the date of this report, such evaluation is still in progress.

VIII. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements are approved and authorized by the Board of Directors on March 31, 2020.

Independent Auditor's Report

Ernst & Young
22/F, CITIC Tower
1 Tim Mei Avenue
Central, 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 pages 152 to 411, which comprise the consolidated statement of financial position as at December 31, 2020, 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, 2020, 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
(1) Classification and impairment assessment of financial assets	
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.	1. Classification of financial assets Our audit procedures included reviewing accounting policies related to the Group's classification of financial assets, assessing and testing the design and operating effectiveness of controls over the assessment of the business model for managing the financial assets and the assessment of contractual cash flow characteristics in the process of classification of financial assets. We reviewed management's business model assessment by obtaining supporting evidence on how the business performance is measured and assessing the frequency and relative amount in sales in the past. We obtained understanding and assessed the logic of the contractual cash flow assessment, and on a sampling basis, we reviewed management's contractual cash flow assessment by reading the relevant contractual terms and performing an independent assessment of the contractual cash flows.

Key audit matter	How our audit addressed the key audit matter
(1) Classification and impairment assessment of financial assets (Continued)	
The Group adopts the expected credit loss model to assess the impairment of financial assets according to IFRS 9. Complex models and assumptions are used in the measurement of expected credit losses for loans and advances to customers and distressed debt assets at amortized cost, for example: • Significant increases in credit risk – The selection of criteria for identifying significant increases in credit risk is highly dependent on judgement and may have a significant impact on the expected credit losses for financial assets with longer remaining periods to maturity; • Models and parameters – Inherently complex models are used to measure expected credit losses. Modelled parameters have numerous inputs and the parameter estimation involves many judgements and assumptions. • 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.	2. Impairment assessment of financial assets Our audit procedures included assessing and testing the design and operating effectiveness of controls over the measurement of expected credit losses for loans and advances to customers and distressed debt assets at amortized cost. With the support of our internal credit risk modelling experts, we evaluated and tested the reasonableness of the methodology, important parameters of the expected credit loss model, management's major judgements and related assumptions, including: • Assessing the reasonableness of the expected credit loss model methodology; • Assessing the reasonableness of related parameters, including the probability of default, loss given default, risk exposure, and the significant increases in credit risk, in response to the macroeconomic changes and the COVID-19 pandemic implications; • Assessing the forward-looking information management used to determine expected credit losses, including the forecasts of macroeconomic variables and the assumptions and different weights of multiple macroeconomic scenarios; and • Evaluating the models and the related assumptions used in individual impairment assessments and analyzing the amount, timing and likelihood of management's estimated future cash flows, especially cash flows from collateral.

Key audit matter	How our audit addressed the key audit matter
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.71.1 Credit risk.	Based on the financial and non-financial information of the debtors and other external evidence, we selected samples and assessed the appropriateness of the identification of credit ratings, significant increases in credit risk and credit-impaired financial assets applied by management. In addition, we selected samples and checked key data used in the models, including historical data and measurement data, to evaluate the accuracy and completeness of the data used. Furthermore, we checked the appropriateness of related disclosures including the disclosures of credit risk and expected credit losses.
(2) Valuation of financial instruments	
Financial assets carried at fair value represented a significant portion of total assets. The fair values of level 2 and level 3 financial instruments are determined through the application of valuation techniques which often involve the exercise of judgement by management and the use of assumptions and estimates. The Group's disclosures about accounting judgements and estimation and the details of these financial assets are included in Note V.2 Fair value of financial instruments and Note VI.72 Fair values of financial instruments.	Our audit procedures included assessing and testing the design and operating effectiveness of controls over the identification, measurement and management of valuation risk. We compared observable inputs, such as quoted bid prices in an active market, against independent sources and externally available market data. For unobservable inputs, such as estimated future cash flows, we checked the appropriateness by comparing the cash flows against relevant contractual terms or performing assessments of cash flows from collaterals or profit forecasts. We re-performed 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.

Key audit matter	How our audit addressed the key audit matter
(3) Assessment of control, joint control and significant influence	
The Group makes significant judgements to assess whether the Group has control over structured entities, and joint control or significant influence over the structured entities and other investees. • The Group has interests in various structured entities including private equity funds, trusts, asset management plans, wealth management products and mutual funds. The consolidation of those entities is determined by the Group on the basis of control, which involves management's judgement upon power over the structured entities' relevant activities, exposure to variable returns from its involvement with the structured entities, and the ability to use the power to affect the amount of its returns; • The joint control over the structured entities and other investees is determined by the Group's assessment of the existence of sharing of control. The assessment involves judgement on whether decisions about the relevant activities require the unanimous consent of the parties sharing control; and	We evaluated and tested the design and operating effectiveness of the key controls related to the Group's assessment of whether it has control, joint control or significant influence over structured entities and other investees. We assessed the Group's analysis and conclusions on whether or not it controls structured entities based on the Group's analysis on its power over structured entities' relevant activities, and the magnitude and variability of variable returns from its involvement with structured entities. We also evaluated the appropriateness of the Group's assessment on its legal or constructive obligation to absorb loss of structured entities by reviewing relevant agreements or contracts, and whether the Group has provided liquidity support or credit enhancement to structured entities. Furthermore, we checked the appropriateness of related disclosures including interests in consolidated and unconsolidated structured entities.

Key audit matter	How our audit addressed the key audit matter
(3) Assessment of control, joint control and significant influence (Continued)	
• The significant influence over the structured entities and other investees is determined by the Group's assessment of its power to participate in the structured entities and other investees' financial and operating policy decisions. The assessment involves significant judgement based on factors such as the structured entities and other investees' policy-making process, composition of the board of directors or other governing bodies, change in ownership and existence of contractual arrangements. Due to the significance of these investments to the Group and the complexity of judgement exercised by management, this was considered as a key audit matter. The Group's disclosures about accounting judgements and estimation and the details of these equity investments are included in Note V.6 Control on structured entities, Note V.7 Judgement on joint control, Note V.8 Judgement on significant influence and Note VI.34 Interests in subsidiaries, Note VI.36 Interests in consolidated structured entities and Note VI.37 Interests in associates and joint ventures.	We also assessed the Group's analysis and conclusions on the existence of joint control or significant influence over the structured entities and other investees. We made inquiries and inspections of the relevant contracts and agreements of investments to evaluate the Group's assessment of its power to joint control over the structured entities and other investees' relevant activities, or to participate in the structured entities and other investees' financial and operating policy decisions. We also reviewed the minutes of the meetings of the investors or shareholders, the board of directors or other governing bodies of the structured entities and other investees. We evaluated the Group's reassessment of its influence over the structured entities and other investees on a continuous basis if facts and circumstances indicated that there were changes. Furthermore, we checked the appropriateness of related disclosures of interests in associates and joint ventures.

Key audit matter	How our audit addressed the key audit matter
(4) Transfer of financial assets	
Distressed asset management is one of the Group's core businesses, and involves management's judgement upon whether the transfer should be applied to part of a financial asset or the financial asset in its entirety, as well as the evaluation of whether, and to what extent, transfer is appropriate. Considering the significant impact and the usage of judgement and subjective estimation by management in relation to the accounting treatment, we treated the transfer of financial assets as a key audit matter. The Group's disclosures about accounting judgements and estimation and the details of these transfers of financial assets are included in Note V.4 Transfer of financial assets and Note VI.68 Transfers of financial assets.	Our audit procedures included assessing and testing the design and operating effectiveness of controls over judgement and estimation involved in the transfer of financial assets. We obtained and reviewed related contracts and agreements and assessed whether the Group should derecognize financial assets based on the relevant facts and circumstances, mainly including the nature and purpose of the financial assets transferred, the Group's exposure, before and after the transfer, to the variability in the amounts and timing of the net cash flows of the transferred assets, as well as whether the Group had retained the control of the transferred assets. We checked related agreements for transfer of significant financial assets to assess whether the financial assets should be derecognized. Furthermore, we checked the appropriateness of related disclosures of the transfer of financial assets.

Other information included in the Annual Report

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

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

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

Responsibilities of the directors for the consolidated financial statements

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

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

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

Ernst & Young
Certified Public Accountants

Hong Kong
March 26, 2021

Consolidated Statement of Profit or Loss

For the year ended December 31, 2020
(Amounts in thousands of RMB, unless otherwise stated)

	Notes VI	Year ended December 31	
		2020	2019
Continuing operations			
Income from distressed debt assets at amortized cost	1	**19,150,708**	16,403,571
Fair value changes on distressed debt assets	2	**12,546,970**	13,645,346
Fair value changes on other financial instruments	3	**12,566,515**	14,840,082
Investment income	4	**322,490**	464,489
Interest income	5	**23,899,176**	25,401,626
Revenue from sales of inventories	6	**24,316,307**	18,169,404
Commission and fee income	7	**4,444,900**	3,536,558
Net gains on disposal of subsidiaries, associates and joint ventures	8	**1,842,272**	881,604
Other income and other net gains or losses	9	**1,044,680**	2,804,212
Total		**100,134,018**	96,146,892
Interest expense	10	**(39,618,504)**	(44,366,553)
Employee benefits	11	**(6,158,895)**	(6,001,940)
Purchases and changes in inventories	6	**(17,360,392)**	(12,868,770)
Commission and fee expense	12	**(635,894)**	(719,580)
Taxes and surcharges		**(599,311)**	(577,027)
Depreciation and amortization expenses		**(2,057,749)**	(1,558,673)
Other expenses		**(3,532,097)**	(3,540,985)
Impairment losses on assets	13	**(14,096,819)**	(8,924,233)
Total		**(84,059,661)**	(78,557,761)
Change in net assets attributable to other holders of consolidated structured entities	36	**(17,815)**	(237,540)
Profit before share of results of associates and joint ventures and tax		**16,056,542**	17,351,591
Share of results of associates and joint ventures		**252,715**	1,920,849
Profit before tax from continuing operations	14	**16,309,257**	19,272,440
Income tax expense	15	**(5,324,010)**	(5,754,622)
Profit for the year from continuing operations		**10,985,247**	13,517,818

(Amounts in thousands of RMB, unless otherwise stated)

	Notes VI	Year ended December 31 2020	2019
Discontinued operation			
Profit after tax for the year from a discontinued operation	75	**3,752,030**	1,500,399
Profit for the year		**14,737,277**	15,018,217
Profit attributable to:			
Equity holders of the Company		**13,247,880**	13,052,946
Non-controlling interests		**1,489,397**	1,965,271
		14,737,277	15,018,217
Earnings per share attributable to equity holders of the Company (Expressed in RMB Yuan per share)	16		
– Basic		**0.32**	0.31
– Diluted		**0.32**	0.31
Earnings per share attributable to equity holders of the Company from continuing operations (Expressed in RMB Yuan per share)	16		
– Basic		**0.22**	0.28
– Diluted		**0.22**	0.28

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

Consolidated Statement of Comprehensive Income

For the year ended December 31, 2020
(Amounts in thousands of RMB, unless otherwise stated)

	Year ended December 31	
	2020	2019
Profit for the year	**14,737,277**	15,018,217
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	**(180,875)**	463,240
Amounts reclassified to profit or loss upon disposal	**(88,227)**	(191,762)
Amounts of profit or loss upon impairment	**16,303**	8,383
	(252,799)	279,861
Exchange differences arising on translation of foreign operations	**(907,831)**	(7,527)
Share of other comprehensive income of associates and joint ventures	**206,835**	216,646
Subtotal	**(953,795)**	488,980
Items that will not be reclassified subsequently to profit or loss:		
Remeasurement of supplementary retirement benefits	**(16,118)**	(11,581)
Fair value changes on equity instruments designated as at fair value through other comprehensive income	**(546,815)**	614,796
Subtotal	**(562,933)**	603,215
Other comprehensive income/(loss) for the year, net of income tax	**(1,516,728)**	1,092,195
Total comprehensive income for the year	**13,220,549**	16,110,412
Total comprehensive income attributable to:		
Equity holders of the Company	**12,046,154**	14,169,390
Non-controlling interests	**1,174,395**	1,941,022
	13,220,549	16,110,412

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

Consolidated Statement of Financial Position

As at December 31, 2020

(Amounts in thousands of RMB, unless otherwise stated)

	Notes VI	As at December 31 2020	2019
Assets			
Cash and balances with central banks	21	**15,375,048**	19,002,051
Deposits with banks and financial institutions	22	**87,953,563**	70,837,593
Deposits with exchanges and others	23	**1,946,984**	1,323,359
Placements with banks and financial institutions	24	**19,909,505**	11,152,300
Financial assets at fair value through profit or loss	25	**446,916,674**	412,164,583
Financial assets held under resale agreements	26	**36,241,153**	13,212,454
Financial assets at fair value through other comprehensive income	27	**123,728,468**	136,802,965
Loans and advances to customers	28	**353,456,297**	337,859,064
Financial assets at amortized cost	29	**220,232,956**	227,645,067
Accounts receivable	30	**3,255,410**	2,402,725
Properties held for sale	32	**48,892,723**	59,587,157
Investment properties	33	**9,180,878**	5,861,059
Interests in associates and joint ventures	37	**70,502,660**	73,006,289
Property and equipment	39	**17,224,542**	17,611,309
Goodwill	40	**22,043,558**	23,548,562
Other intangible assets	41	**3,801,384**	4,201,855
Deferred tax assets	42	**8,989,874**	6,756,583
Assets held for sale	56	**–**	61,394,178
Other assets	43	**28,431,971**	28,860,854
Total assets		**1,518,083,648**	1,513,230,007

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

Consolidated Statement of Financial Position

As at December 31, 2020

(Amounts in thousands of RMB, unless otherwise stated)

		As at December 31	
	Notes VI	**2020**	2019
Liabilities			
Borrowings from central bank	44	**986,058**	1,010,860
Accounts payable to brokerage clients	45	**16,583,847**	14,320,344
Financial liabilities at fair value through profit or loss	46	**7,276,909**	5,065,256
Financial assets sold under repurchase agreements	47	**15,990,678**	19,495,590
Placements from banks and financial institutions	48	**14,044,334**	14,084,819
Borrowings	49	**556,912,148**	536,591,304
Due to customers	50	**273,644,174**	275,205,766
Deposits from banks and financial institutions	51	**15,542,184**	14,157,128
Accounts payable	52	**4,886,693**	5,050,797
Tax payable	53	**4,751,823**	4,331,779
Bonds issued	54	**355,777,530**	304,849,566
Contract liabilities	55	**14,855,727**	24,087,036
Deferred tax liabilities	42	**2,412,778**	2,299,671
Liabilities held for sale	56	**–**	57,924,139
Other liabilities	57	**39,376,345**	46,345,491
Total liabilities		**1,323,041,228**	1,324,819,546

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

As at December 31, 2020

(Amounts in thousands of RMB, unless otherwise stated)

		As at December 31	
	Notes VI	**2020**	2019
Equity			
Share capital	58	**38,164,535**	38,164,535
Other equity instruments	59	**21,281,215**	21,281,215
Capital reserve	60	**20,409,660**	20,239,333
Other comprehensive income	61	**(1,237,414)**	(35,688)
Surplus reserve	62	**8,948,922**	8,510,147
General reserve	63	**15,665,320**	15,961,421
Retained earnings		**68,876,486**	60,777,160
Equity attributable to equity holders of the Company		**172,108,724**	164,898,123
Non-controlling interests		**22,933,696**	23,512,338
Total equity		**195,042,420**	188,410,461
Total equity and liabilities		**1,518,083,648**	1,513,230,007

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, 2020
(Amounts in thousands of RMB, unless otherwise stated)

	Equity attributable to equity holders of the Company									
	Share capital (Note VI.58)	Other equity instruments (Note VI.59)	Capital reserve (Note VI.60)	Other comprehensive income (Note VI.61)	Surplus reserve (Note VI.62)	General reserve (Note VI.63)	Retained earnings	Subtotal	Non-controlling interests	Total
As at January 1, 2020	38,164,535	21,281,215	20,239,333	(35,688)	8,510,147	15,961,421	60,777,160	164,898,123	23,512,338	188,410,461
Profit for the year	–	–	–	–	–	–	13,247,880	13,247,880	1,489,397	14,737,277
Other comprehensive income for the year	–	–	–	(1,201,726)	–	–	–	(1,201,726)	(315,002)	(1,516,728)
Total comprehensive income for the year	–	–	–	(1,201,726)	–	–	13,247,880	12,046,154	1,174,395	13,220,549
Capital contribution from non-controlling interests of subsidiaries	–	–	43,069	–	–	–	–	43,069	1,565,431	1,608,500
Disposal of subsidiaries	–	–	–	–	–	–	–	–	(2,419,597)	(2,419,597)
Appropriation to surplus reserve	–	–	–	–	438,775	–	(438,775)	–	–	–
Amounts reversed from the general reserve	–	–	–	–	–	(296,101)	296,101	–	–	–
Dividends recognized as distribution	–	–	–	–	–	–	(5,005,880)	(5,005,880)	–	(5,005,880)
Dividends paid to non-controlling interests	–	–	–	–	–	–	–	–	(485,484)	(485,484)
Dividends paid to capital securities	–	–	–	–	–	–	–	–	(413,387)	(413,387)
Share of associates' equity changes other than comprehensive income and distribution	–	–	127,258	–	–	–	–	127,258	–	127,258
As at December 31, 2020	38,164,535	21,281,215	20,409,660	(1,237,414)	8,948,922	15,665,320	68,876,486	172,108,724	22,933,696	195,042,420

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

(Amounts in thousands of RMB, unless otherwise stated)

	Equity attributable to equity holders of the Company									
	Share capital (Note VI.58)	Other equity instruments (Note VI.59)	Capital reserve (Note VI.60)	Other comprehensive income (Note VI.61)	Surplus reserve (Note VI.62)	General reserve (Note VI.63)	Retained earnings	Subtotal	Non-controlling interests	Total
As at January 1, 2019	38,164,535	21,281,215	21,257,033	(1,152,132)	7,857,883	15,043,296	54,041,001	156,492,831	22,075,635	178,568,466
Profit for the year	–	–	–	–	–	–	13,052,946	13,052,946	1,965,271	15,018,217
Other comprehensive income for the year	–	–	–	1,116,444	–	–	–	1,116,444	(24,249)	1,092,195
Total comprehensive income for the year	–	–	–	1,116,444	–	–	13,052,946	14,169,390	1,941,022	16,110,412
Acquisition of subsidiaries	–	–	–	–	–	–	–	–	465,423	465,423
Appropriation to surplus reserve	–	–	–	–	652,264	–	(652,264)	–	–	–
Appropriation to general reserve	–	–	–	–	–	918,125	(918,125)	–	–	–
Dividends recognized as distribution	–	–	–	–	–	–	(4,746,398)	(4,746,398)	–	(4,746,398)
Dividends paid to non-controlling interests	–	–	–	–	–	–	–	–	(556,313)	(556,313)
Dividends paid to capital securities	–	–	–	–	–	–	–	–	(413,892)	(413,892)
Share of associates' equity changes other than comprehensive income and distribution	–	–	(1,017,237)	–	–	–	–	(1,017,237)	–	(1,017,237)
Others	–	–	(463)	–	–	–	–	(463)	463	–
As at December 31, 2019	38,164,535	21,281,215	20,239,333	(35,688)	8,510,147	15,961,421	60,777,160	164,898,123	23,512,338	188,410,461

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

Consolidated Statement of Cash Flows

For the year ended December 31, 2020
(Amounts in thousands of RMB, unless otherwise stated)

	Year ended December 31	
	2020	2019
OPERATING ACTIVITIES		
Profit before tax from continuing operations	**16,309,257**	19,272,440
Profit before tax from a discontinued operation	**265,621**	273,224
Adjustments for:		
Impairment losses on assets	**14,098,259**	8,962,758
Depreciation of property and equipment, investment properties and right-of-use assets	**1,694,972**	1,276,349
Amortization of intangible assets and other long-term assets	**367,690**	375,844
Share of results of associates and joint ventures	**(265,662)**	(1,947,582)
Net gains on disposal of property and equipment, investment properties and other intangible assets	**(136,206)**	(96,132)
Net gains on disposal of subsidiaries, associates and joint ventures	**(1,842,272)**	(881,604)
Fair value changes on financial assets	**(8,731,389)**	(18,856,564)
Investment income	**(524,760)**	(259,559)
Interest income	**(6,292,439)**	(5,654,883)
Borrowing costs	**17,911,199**	18,660,175
Change in reserves for insurance contracts	**(3,286,516)**	4,269,686
Operating cash flows before movements in working capital	**29,567,754**	25,394,152
(Increase)/decrease in balances with central banks and deposits with banks and financial institutions	**(1,343,275)**	6,187,258
Decrease/(increase) in financial assets at fair value through profit or loss	**8,808,554**	(29,128,812)
Decrease in placements with banks and financial institutions	**1,286,768**	749,568
Decrease/(increase) in financial assets held under resale agreements	**970,687**	(3,087,731)
Decrease in financial assets at amortized cost	**1,536,602**	15,554,372
Increase in loans and advances to customers	**(14,533,899)**	(1,567,474)
(Increase)/decrease in accounts receivable	**(1,018,320)**	2,148,065
Decrease in properties held for sale	**9,196,732**	1,612,992
(Decrease)/increase in due to customers and deposits from banks and financial institutions	**(176,536)**	12,882,227
Increase in accounts payable to brokerage clients	**2,263,503**	4,004,502
(Decrease)/increase in financial assets sold under repurchase agreements	**(3,440,611)**	10,996,637
Increase/(decrease) in borrowings	**23,765,613**	(32,911,573)
Decrease in accounts payable	**(157,634)**	(222,996)
Decrease in contract liabilities	**(9,231,309)**	(953,948)
Decrease/(increase) in other operating assets	**2,075,848**	(10,697,336)
Decrease in other operating liabilities	**(6,937,943)**	(16,047,047)
Cash inflow/(outflow) from operations	**42,632,534**	(15,087,144)
Income taxes paid	**(5,838,877)**	(7,043,073)
NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES	**36,793,657**	(22,130,217)

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

(Amounts in thousands of RMB, unless otherwise stated)

	Year ended December 31	
	2020	2019
INVESTING ACTIVITIES		
Cash receipts from disposals and recovery of investment securities	**87,915,031**	173,631,366
Dividends received from investment securities	**9,695,152**	9,512,655
Dividends received from associates and joint ventures	**1,150,148**	1,320,410
Interest received from investment securities	**3,568,731**	3,975,226
Cash receipts from disposals of property and equipment, investment properties and other intangible assets	**176,991**	376,852
Net cash flows from disposals of subsidiaries	**6,229,859**	83,078
Net cash flows from disposals of associates and joint ventures	**4,403,073**	4,742,210
Cash payments to acquire investment securities	**(131,945,753)**	(178,079,595)
Net cash (outflows)/inflows due to acquisition of subsidiaries	**(1,854)**	231,305
Net cash flows from consolidated structured entities	**(1,771,959)**	(5,312,277)
Cash payments for purchase of property and equipment, investment properties and other intangible assets	**(4,941,519)**	(6,961,317)
Cash payments for establishment and acquisition of interests in associates and joint ventures	**(593,933)**	(3,840,087)
NET CASH OUTFLOW FROM INVESTING ACTIVITIES	**(26,116,033)**	(320,174)
FINANCING ACTIVITIES		
Capital contribution from non-controlling interests of subsidiaries of the Company	**1,608,500**	–
Cash receipts from borrowings raised	**21,554,455**	60,038,429
Cash receipts from bonds issued	**134,141,307**	103,560,353
Cash repayments on financial assets sold under repurchase agreements	**–**	(4,227,068)
Cash repayments of borrowings	**(21,934,075)**	(60,530,839)
Cash repayments of bonds	**(79,511,021)**	(77,280,443)
Interest expenses on borrowings and bonds	**(16,346,762)**	(17,936,493)
Dividends paid	**(5,005,880)**	(4,746,398)
Dividends paid to non-controlling interests of subsidiaries	**(898,135)**	(970,205)
Cash payments for other financing activities	**(793,727)**	(622,522)
NET CASH INFLOW/(OUTFLOW) FROM FINANCING ACTIVITIES	**32,814,662**	(2,715,186)

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

(Amounts in thousands of RMB, unless otherwise stated)

	Notes VI	Year ended December 31 2020	2019
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**43,492,286**	(25,165,577)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		**82,749,337**	106,066,408
Effect of foreign exchange changes		**(5,508,276)**	1,848,506
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	65	**120,733,347**	82,749,337
Net cash flows from operating activities include:			
Interest received		**18,132,503**	20,659,833
Interest paid		**21,869,168**	26,265,734

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

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, 2020, 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; insurance; fund management; asset management; trust; financial leasing services; real estate and industrial investments and other businesses approved by the CBIRC or other regulatory bodies.

II. BASIS OF PREPARATION

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

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

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

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

III. APPLICATION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS

Standards, amendments and interpretations effective in 2020

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, 2020.

IFRS 3 Amendments	*Definition of a Business*
IAS 1 and IAS 8 Amendments	*Definition of Material*
IFRS 9, IAS 39 and IFRS 7 Amendments	*Interest Rate Benchmark Reform*
IFRS 16 Amendment	*COVID-19-Related Rent Concessions*

IFRS 3 Amendments clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business.

Amendments to IAS 1 and IAS 8 provide a new definition of materiality. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions made by the primary users of general purpose financial statements based on those financial statements. The amendments clarify that materiality depends on the nature or magnitude of information. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users.

(Amounts in thousands of RMB, unless otherwise stated)

III. APPLICATION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS (continued)

Standards, amendments and interpretations effective in 2020 (continued)

The amendments to IFRS 9, IAS 39 and IFRS 7 modify some specific hedge accounting requirements. During the period of uncertainty arising from phasing-out of interest-rate benchmarks with an alternative nearly risk-free interest rate ("RFR"), the entities that apply these hedge accounting requirements can assume that the interest-rate benchmarks on which the hedged cash flows and cash flows of the hedging instrument are based are not altered as a result of interest-rate benchmark reform. The amendments must be applied retrospectively.

IFRS 16 Amendment provides for rent relief during COVID-19, which provides an exemption for lessees. For lease payments due before June 2021, lessees are not required to apply the guidance on accounting treatment of lease modification in IFRS 16 for rent relief granted due to the impact of COVID-19.

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 2020

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 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Amendments	*Interest Rate Benchmark Reform Phase 2*	January 1, 2021
IFRS 3 Amendments	*Reference to the Conceptual Framework*	January 1, 2022
IAS 16 Amendments	*Property, Plant and Equipment: Proceeds before Intended Use*	January 1, 2022
IAS 37 Amendments	*Onerous Contracts – Costs of Fulfilling a Contract*	January 1, 2022
IFRS 17 and Amendments	Insurance Contracts	January 1, 2023
IAS 1 Amendments	Classification of Liabilities as Current or Non-current	January 1, 2023
IFRS 10 and IAS 28 Amendments	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Effective date has been deferred indefinitely
Annual Improvements to IFRSs 2018-2020 Cycle (issued in May 2020)		January 1, 2022

III. APPLICATION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS (continued)

Standards, amendments and interpretations that are not yet effective in 2020 (continued)

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

IFRS 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.

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.

III. APPLICATION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS (continued)

Standards, amendments and interpretations that are not yet effective in 2020 (continued)

IAS 1 Amendments 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.

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

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

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

IV. SIGNIFICANT ACCOUNTING POLICIES

1. Statement of compliance

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

2. Basis of consolidation

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

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

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

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

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

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

IV. SIGNIFICANT ACCOUNTING POLICIES (continued)

2. Basis of consolidation (continued)

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

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

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

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

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

IV. SIGNIFICANT ACCOUNTING POLICIES (continued)

3. Business combinations

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

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

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

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

4. Goodwill

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

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

IV. SIGNIFICANT ACCOUNTING POLICIES (continued)

4. Goodwill (continued)

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

5. Cash and cash equivalents

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

6. Foreign currency transactions

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

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

IV. SIGNIFICANT ACCOUNTING POLICIES (continued)

6. Foreign currency transactions (continued)

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

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

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

7. Financial instruments

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

7.1 Determination of fair value

Fair value is determined in the manner described in Note VI.72 Fair values of financial instruments.

IV. SIGNIFICANT ACCOUNTING POLICIES (continued)

7. Financial instruments (continued)

7.2 Effective interest method

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

7.3 Classification, recognition and measurement of financial assets

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

Business model

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

IV. SIGNIFICANT ACCOUNTING POLICIES (continued)

7. Financial instruments (continued)

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

The contractual cash flow characteristics

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

Financial assets at amortized cost

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

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

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

Financial assets at fair value through other comprehensive income

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

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and

- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

IV. SIGNIFICANT ACCOUNTING POLICIES (continued)

7. Financial instruments (continued)

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

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

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

Financial assets at fair value through profit or loss

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

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

Equity instruments

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

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

IV. SIGNIFICANT ACCOUNTING POLICIES (continued)

7. Financial instruments (continued)

7.4 Impairment of financial assets

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

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

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

- Stage I: The financial instruments without significant increases in credit risk after initial recognition are included in Stage I to calculate their impairment allowance at an amount equivalent to the ECL of the financial instruments for the next 12 months;

- Stage II: Financial instruments that have had a significant increase in credit risk since initial recognition but have no objective evidence of impairment are included in Stage II, with their impairment allowance measured at an amount equivalent to the ECL over the lifetime of the financial instruments;

- Stage III: Financial assets with objective evidence of impairment at the financial reporting date are included in Stage III, with their impairment allowance measured at the amount equivalent to the ECL over the lifetime of the financial instruments.

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

IV. SIGNIFICANT ACCOUNTING POLICIES (continued)

7. Financial instruments (continued)

7.4 Impairment of financial assets (continued)

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

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

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

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

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

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

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.

IV. SIGNIFICANT ACCOUNTING POLICIES (continued)

7. Financial instruments (continued)

7.4 Impairment of financial assets (continued)

(ii) Definition of credit-impaired financial asset

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

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

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

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.

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, CPI, etc. The forecast 2021 GDP growth rate used by the Group is between 6.0% and 8.0%.

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.

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.

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.

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 parities 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.

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.

(Amounts in thousands of RMB, unless otherwise stated)

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.

IV. SIGNIFICANT ACCOUNTING POLICIES (continued)

13. Borrowing costs

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

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

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

14. Intangible assets

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

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

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

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

IV. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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

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

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

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.

IV. SIGNIFICANT ACCOUNTING POLICIES (continued)

18. Insurance contracts and significant insurance risk testing

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

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

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

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

19. Insurance contract liabilities

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

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

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

IV. SIGNIFICANT ACCOUNTING POLICIES (continued)

19. Insurance contract liabilities (continued)

Insurance contract liabilities are measured based on reasonable estimates of the amount of payments when the Group fulfills relevant obligations under the insurance contracts, which represents the difference between expected future cash outflows and inflows under such contracts, i.e. the expected future net cash outflows.

- Expected future cash outflows represent cash outflows which are necessary for the Group to fulfill the obligations under the insurance contracts (including benefits attributable to the policyholders), and mainly include:

  (i) Guaranteed benefits under the insurance contracts, including mortality benefits, disability benefits, morbidity benefits, survival benefits, maturity benefits and other benefits guaranteed by the insurance contracts;

  (ii) Non-guaranteed benefits under the insurance contracts which are subject to certain level of discretion by the Group, including policyholder dividends; and

  (iii) Reasonable expenses necessary for policy administration and claims handling, including policy maintenance expenses and claim expenses.

- Expected future cash inflows represent cash inflows arising from assuming liabilities under the insurance contracts, including premium income and other charges.

A reasonable estimate of expected future net cash flows is determined based on information available at the end of each reporting period.

Margins are considered and separately measured in determining insurance contract liabilities. Margins are released in the statement of profit or loss over the insurance coverage period using systematic and reasonable methods. Margins include risk margin and residual margin.

- Risk margin represents provision for the uncertainty associated with the future net cash flows.

- At inception of an insurance contract, any "Day 1" gain is not recognized in the statement of profit or loss, but included in the insurance contract liabilities as a residual margin. However, any "Day 1" loss should be recognized in the statement of profit or loss at inception when it occurs. Any residual margin is amortized over the life of the contracts. The subsequent measurement of residual margin is independent from reasonable estimate of future discounted cash flows and risk margin, and will not be adjusted for future changes in assumptions.

IV. SIGNIFICANT ACCOUNTING POLICIES (continued)

19. Insurance contract liabilities (continued)

For long-term life insurance contracts, the Group amortizes the residual margin on the basis of the effective sum of insured amount or estimated dividends payout during the whole insurance coverage period. For short-term insurance contracts, the Group amortizes the residual margin on a time basis during the whole insurance coverage period and records it in profit or loss.

When measuring insurance contract liabilities, time value of money is considered. The related future cash flows are discounted when the impact of time value of money is significant. For short-term insurance contracts which duration is within one year, the cash flows are not discounted. The discount rates used in the measurement of time value of money are determined with reference to information available at the end of each reporting period.

The Group uses information available at the end of each reporting period to derive the following assumptions used for measuring the reserve of long-term life insurance contracts:

- For insurance contracts whose future insurance benefits will not be affected by investment income of the corresponding investment portfolio, the discount rates are determined based on the market interest rate which is in line with the period and risk of liability of cash outflows. For insurance contracts whose future insurance benefits will be affected by investment income of the corresponding investment portfolio, the discount rates are determined based on expected investment return rates of the portfolios backing the liabilities.

- The Group reasonably estimates the insurance incident occurrence rate, lapse and surrender rate, expenses assumption and policy dividend assumption based on actual experience and expected future development trends.

When measuring insurance contract liabilities, the expected period of future net cash outflows is the entire insurance period. For insurance policies with a guaranteed renewal option, the expected period is extended to the date when the option to renew policy ceases if the probability that the policyholders may execute the option is high and the Group does not have the right to re-price the premium.

IV. SIGNIFICANT ACCOUNTING POLICIES (continued)

19. Insurance contract liabilities (continued)

Unearned premium reserves

Unearned premium reserves for short-term insurance contracts represent the larger of a) portion of the premiums written net of certain acquisition costs relating to the unexpired terms of coverage and b) estimated future net cash outflows.

At inception of the insurance contracts, unearned premium reserves are measured based on premiums received less relevant acquisition costs. Subsequent to the initial recognition, unearned premium reserves are released on a 1/365 basis according to the insurance coverage period.

The risk margin of the unearned premium reserves is determined by reference to the industry ratio and the Group's experience.

Claim reserves

Claim reserves are provided for insurance claims of short-term insurance contracts and include incurred and reported reserves, Incurred but not reported reserves ("IBNR") and claim expense reserves.

Incurred and reported reserves are measured at amounts not higher than the sum insured of the insurance contracts, using methods such as the case-by-case estimate method or average claim per case method, based on a reasonable estimate of ultimate claim amounts as well as margins.

IBNR are measured according to the nature and distribution of insurance risks, claims development, experience data, etc., using methods such as the chain ladder method, average claim per case method, expected loss ratio method, based on a reasonable estimate of ultimate claim amounts as well as margins.

Claim expense reserves are measured based on the best estimates of the future payments for claim expenses.

The risk margin of the claim reserves is determined by reference to the industry ratio and the Group's experience.

IV. SIGNIFICANT ACCOUNTING POLICIES (continued)

19. Insurance contract liabilities (continued)

Liability adequacy test

The Group assesses the adequacy of insurance contract liabilities using the current estimate of future cash flow with available information at the end of each reporting period. If the insurance contract liabilities re-calculated with the insurance actuarial methods exceed their carrying amounts on the date of the liability adequacy test, an additional provision is made for the respective insurance contract liabilities based on the difference. Otherwise, no adjustment is made for the respective insurance contract liabilities.

Investment contracts

Insurance policies that are not considered insurance contracts under IFRS 4 are classified as investment contracts. These policies do not contain significant insurance risk and are accounted for as follows:

- Premium receipts are recognized not as premium income, but rather as liabilities, presented as investment contract liabilities. For those non-life investment type policies without guaranteed benefits, the related contract liabilities are measured at fair value and the related transaction costs are recognized in the statement of profit or loss. For other investment contracts, the related liabilities are initially measured at fair value and subsequently measured at amortized cost. Commissions and other expenses incurred, net of receipts from initial charges that are meant to compensate such costs, are recognized as transaction costs in the initial amount of the liabilities.

- Charges including policy administration fees are recognized as other income during the period of service provided.

Universal life contracts

The individual universal life contracts of the Group contain significant insurance risks and are classified as insurance contracts. These policies also contain both insurance components and deposit components. The deposit components are unbundled from these hybrid insurance contracts. The rest of the contracts are accounted for as insurance contracts. Certain group universal life contracts of the Group that do not contain significant insurance risks are classified as investment contracts.

IV. SIGNIFICANT ACCOUNTING POLICIES (continued)

19. Insurance contract liabilities (continued)

Universal life contracts (continued)

The group universal life contracts and the deposit component unbundled from the above individual universal life insurance contracts are accounted for as follows:

- Premium receipts are recognized not as premium income, but rather as liabilities, presented in investment contract liabilities. These liabilities are initially measured at fair value and subsequently measured at amortized cost. Commissions and other expenses incurred, net of receipts from initial charges that are meant to compensate such costs, are recognized as transaction costs in the initial amount of the liabilities.

- Fees from surrenders and other service charges are recognized in other income.

Reinsurance

The Group cedes insurance risk in the normal course of business. Reinsurance agreements that transfer significant insurance risk are treated as reinsurance contracts; reinsurance agreements that do not transfer significant insurance risk are treated as financial assets. Reinsurance assets primarily represent balances due from reinsurance companies for ceded insurance liabilities. Amounts recoverable from reinsurers are estimated in a manner consistent with the reinsured risks and in accordance with the terms of the reinsurance contracts.

An impairment review is performed at each reporting date or more frequently when an indication of impairment arises during the reporting year. Impairment occurs when objective evidence exists that the Group may not recover outstanding amounts under the terms of the contract and when the impact on the amounts that the Group will receive from the reinsurer can be measured reliably. The impairment loss is recorded in the statement of profit or loss.

Ceded reinsurance arrangements do not relieve the Group from its obligations to policyholders. The Group also assumes reinsurance risk in the normal course of business. Premiums and claims on assumed reinsurance are recognized as income and expenses in the same manner as they would be if the reinsurance were considered direct business, taking into account the product classification of the reinsured business. Amounts payable to reinsurers are estimated in a manner consistent with that of the associated reinsurance contracts.

Premiums and claims are presented on a gross basis for both ceded and assumed reinsurance unless a legal right and the intention of offset exist. Reinsurance assets or liabilities are derecognized when the contractual rights are extinguished or expire or when the contract is transferred to another party.

IV. SIGNIFICANT ACCOUNTING POLICIES (continued)

20. Non-current assets held for sale and discontinued operations

The Group classifies non-current assets and disposal groups as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. Non-current assets and disposal groups held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Costs to sell are the incremental costs directly attributable to the disposal of an asset (disposal group), excluding finance costs and income tax expense.

The criteria for held for sale classification is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. Actions required to complete the sale should indicate that it is unlikely that significant changes to the sale will be made or that the decision to sell will be withdrawn. Management must be committed to the plan to sell the asset and the sale is expected to be completed within one year from the date of the classification.

Property, plant and equipment and intangible assets are not depreciated or amortized once held for sale.

Assets and liabilities held for sale are presented separately in the statement of financial position.

A disposal group qualifies as discontinued operations if it is a component of an entity that either has been disposed of, or is held for sale, and:

- Represents a separate major line of business or geographical area of operations;
- Is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations; or
- Is a subsidiary acquired exclusively with a view to resale.

Discontinued operations are excluded from the results of continuing operations and are presented as a single amount as profit or loss after tax from discontinued operations in the statement of profit or loss.

IV. SIGNIFICANT ACCOUNTING POLICIES (continued)

21. Preference shares

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.

22. Revenue recognition

22.1 Income from distressed assets

Income from distressed assets is mainly generated from distressed debt assets included in financial assets at amortized cost and financial assets at fair value through profit or loss, equity instruments relating to distressed asset business included in financial assets at fair value through profit or loss and assets in satisfaction of debts.

Income from distressed debt assets includes interest income and gains or losses arising on distressed debt assets classified as financial assets at amortized cost, gains or losses from disposal of distressed debt assets at fair value through profit or loss and unrealized fair value changes on such assets, both of which are accounted for as fair value changes on distressed debt assets. Any interest income arising from distressed debt assets at fair value through profit or loss is also included in fair value changes of such assets. Income is also generated from the disposal of assets in satisfaction of debts. The accounting policy for interest income arising on distressed debt assets classified as financial assets at amortized cost is detailed in Note IV.22.5 Interest income and expense.

Income from equity instruments relating to distressed asset business classified as financial assets at fair value through profit or loss includes dividend income, Unrealized fair value changes and gains or losses from disposal of these instruments and are presented under fair value changes of other financial instruments. The accounting policy for dividend income is detailed in Note IV.22.7 Dividend income.

IV. SIGNIFICANT ACCOUNTING POLICIES (continued)

22. Revenue recognition (continued)

22.2 Commission and fee income

The Group earns commission and fee income from securities and futures brokerage business, securities underwriting business, fund and asset management business, consultancy and financial advisory business, trustee services business, banking business, agency business services etc. which the Group provides to the customers. For those services that are provided over a period of time, commission and fee income are accrued in accordance with the actual progress. For other services, commission and fee income are recognized when the transactions are completed.

22.3 Premium income

Premium income and reinsurance premium income are recognized when the insurance contracts are issued, related insurance risk is undertaken by the Group, it is probable that related economic benefits will flow to the Group and related income can be reliably measured.

Premiums from long-term life insurance contracts are recognized as revenue when due from the policyholders. Premiums from direct short-term insurance contracts are recognized as revenue based on the amount of total premium stated in the contracts.

Reinsurance premiums are recognized as revenue in accordance with the terms stated in the reinsurance contracts.

22.4 Revenue from sale of goods

Revenue from sale of goods of the Group is recognized when control of goods is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods.

When the contract contains a financing component which provides the customer or the Group a significant benefit of financing the transfer of goods to the customer, either explicitly or implicitly, the transaction price for such contracts is discounted to take into consideration the significant financing component.

Using the practical expedient in IFRS 15, the Group does not adjust the promised amount of consideration for the effects of a significant financing component if it expects, at contract inception, that the period between the transfer of the promised good or service to the customer and when the customer pays for that good or service will be one year or less.

IV. SIGNIFICANT ACCOUNTING POLICIES (continued)

22. Revenue recognition (continued)

22.5 Interest income and expense

Interest income and expense for all interest-bearing financial instruments, except for interest income from distressed debt assets, are recognized within "interest income" and "interest expense" in profit or loss using the effective interest method.

Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is recognized using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

22.6 Investment income

Investment income includes dividend income from the equity instruments at fair value through other comprehensive income, and gain/loss from disposal of financial assets other than financial assets at fair value through profit or loss, equity investment at fair value through other comprehensive income and distressed debt assets at amortized cost.

22.7 Dividend income

Dividend income from investments is recognized when the shareholders' rights to receive the payment has been established and is recognized provided that the amount can be measured reliably and it is probable that the associated economic benefits will flow to the Group.

22.8 Other income

Property rental income

The property rental income is recognized when the amount can be measured reliably and it is probable that the associated economic benefits will flow to the Group.

Property management fee

The Group earns property management fee income from property management services which the Group provides to the customers. For those services that are provided over a period of time, property management fee income is accrued in accordance with the actual progress. For other property management services, property management fee income is recognized when the services are completed.

IV. SIGNIFICANT ACCOUNTING POLICIES (continued)

23. Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

23.1 Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated statement of profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

23.2 Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognized for taxable temporary differences associated with interests in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on the tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

IV. SIGNIFICANT ACCOUNTING POLICIES (continued)

23. Taxation (continued)

23.2 Deferred tax (continued)

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets or liabilities.

Current and deferred tax are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realize the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

24. Leasing (effective on and after January 1, 2019)

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.

IV. SIGNIFICANT ACCOUNTING POLICIES (continued)

24. Leasing (effective on and after January 1, 2019) (continued)

24.1 As Lessee

The lease term is the non-cancellable period of a lease for which the Group has the right to use an underlying asset. The Group has several lease contracts that include extension and termination options. The Group applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. The Group considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. The Group includes the renewal period as part of the lease term for leases when the renewal options are reasonably certain to be exercised. The renewal periods for leases with longer non-cancellable periods are not included as part of the lease term as these are not reasonably certain to be exercised. Furthermore, the periods covered by termination options are included as part of the lease term only when they are reasonably certain not to be exercised. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate.

The Group considers a lease that, at the commencement date of the lease, has a lease term of 12 months or less, and does not contain any purchase option as a short-term lease; and a lease for which the value of the individual underlying asset is relatively low when it is new as a lease of low-value asset. The Group chooses not to recognize the right-of-use assets and lease liabilities for short-term leases and leases of a low-value assets, and the rent is amortized on a straight-line basis in each period of the lease term and included in profit or loss.

The Group uses the incremental borrowing rate as the discount rate to calculate the present value of lease payments. When determining the incremental borrowing rate, each institution of the Group uses its economic environment and the observable interest rate as the foundation. On this basis, the applicable incremental borrowing rate is calculated through the adjustment of the reference interest rate, which is determined according to the situation of the institution and the underlying asset, the lease term, the amount of lease liability and other specific conditions of the lease.

IV. SIGNIFICANT ACCOUNTING POLICIES (continued)

24. Leasing (effective on and after January 1, 2019) (continued)

24.1 As Lessee (continued)

Right-of-use assets

The right-of-use assets of the Group mainly include buildings, machinery and equipment, vehicles and other right-of-use assets.

At the commencement date of the lease, the Group recognizes a right-of-use asset. The cost of the right-of-use asset comprises: (i) the amount of the initial measurement of the lease liability; (ii) any lease payments made at or before the commencement date of the lease less any lease incentives received; (iii) any initial direct cost incurred when the Group is a lessee; and (iv) an estimate of costs incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

The right-of-use assets are depreciated on a straight-line basis subsequently by the Group. If the Group is reasonably certain that the ownership of the underlying asset will be transferred to the Group at the end of the lease term, the Group depreciates the asset from the commencement date to the end of the useful life of the asset. Otherwise, the Group depreciates the asset from the commencement date to the end of the useful life of the asset or the end of the lease term, whichever is shorter. The right-of-use assets are also subject to impairment assessment, which is detailed in Note IV.15 Impairment losses on tangible and intangible assets other than goodwill.

The Group remeasures the lease liability at the present value of the changed lease payments and adjusts the carrying amount of the right-of-use assets accordingly, when the carrying amount of the right-of-use asset is reduced to zero, and there is a further reduction in the measurement of the lease liability, the Group recognizes the remaining amount of the remeasurement in profit or loss.

IV. SIGNIFICANT ACCOUNTING POLICIES (continued)

24. Leasing (effective on and after January 1, 2019) (continued)

24.1 As Lessee (continued)

Lease liability

At the commencement date of the lease, the Group measures the lease liability at the present value of the lease payments that are not paid at that date, except for short-term leases and leases of low-value assets.

In calculating the present value of the lease payments, the Group uses the incremental borrowing rate of lessee as the discount rate. The Group calculates the interest expenses of the lease liability in each period during the lease term using the constant periodic rate of interest, and recognizes such interest expenses in profit or loss. Variable lease payments that are not included in the measurement of the lease liabilities are recognized in profit or loss as incurred.

After the commencement date, the Group remeasures the lease liability by discounting the revised lease payments using a revised discount rate if either: (i) there is a change in the amounts expected to be payable under a residual value guarantee; (ii) there is a change in future lease payments resulting from a change in an index or a rate used to determine those payments; or (iii) there is a change in the assessment of an option to purchase, extend or terminate the underlying asset, assessed in the context of a purchase option.

Lease modification

Lease modification is a change in the scope of a lease, the consideration for a lease or lease term, that was not part of the original terms and conditions of the lease. For example, adding or terminating the right to use one or more underlying assets, or extending or shortening the contractual lease term.

The Group accounts for a lease modification as a separate lease if both: (i) the modification increases the scope of the lease by adding the right to use one or more underlying assets; and (ii) the consideration for the lease increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, at the effective date of the lease modification the Group remeasures the lease liability by discounting the revised lease payments using a revised discount rate.

IV. SIGNIFICANT ACCOUNTING POLICIES (continued)

24. Leasing (effective on and after January 1, 2019) (continued)

24.2 As Lessor

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset, except that a lease is classified as an operating lease at the inception date.

When the Group is a lessor under finance leases, the Group recognizes the receivable as the sum of the minimum lease payment receivable and initial direct costs at the commencement date, and records the unguaranteed residual value. The difference between the aggregation, which consists of the receivable and the unguaranteed residual value, and the sum of the present value is recognized as unearned finance income. The Group uses the effective interest method to recognize the current finance income. In the initial measurement of the finance lease receivable, the Group recognizes the net investment of the lease as the book value. The net investment in a lease is the sum of the unguaranteed residual value and the present value of the unreceived minimum lease payment receivable at the commencement date, which is discounted by the interest rate implicit in the lease. The Group calculates and recognizes the interest income in each period during the lease term using the constant periodic rate of interest, and recognizes such interest expenses in profit or loss. Variable lease payments that are not measured as part of the net investment in the lease are recognized in profit or loss as incurred.

When the Group is a lessor under operating leases, the Group still reflects the underlying assets as the Group's assets. The rent income is amortized on a straight-line basis in each period of the lease term and recognized in profit or loss. Variable lease payments that are not measured as part of the receivable in the lease are recognized in profit or loss as incurred.

25. Fiduciary activities

The Group's fiduciary activities mainly include trust and asset custody services.

The trust service of the Group refers to the business that the Group acts as trustee to undertake investment activity within the agreed period and scope on behalf of the third-party lenders who provide the fund.

The Group is responsible for the arrangement and collection of the entrusted loans and receives a commission for the services rendered. As the Group does not assume the risks and rewards of the entrusted loans and the funding for the corresponding entrusted funds, they are not recognized as assets and liabilities of the Group.

IV. SIGNIFICANT ACCOUNTING POLICIES (continued)

26. Employee benefits

In the reporting period in which an employee has rendered services, the Group recognizes the employee benefits payable for those services as a liability.

Social welfare

Social welfare expenditure refers to payments for employees' social welfare system established by the PRC government, including social insurance, housing funds and other social welfare contributions. The Group contributes on a monthly basis to these funds based on certain percentage of the salaries of the employees and the contributions are recognized in profit or loss for the period in which they are incurred. The Group's liabilities in respect of these funds are limited to the contribution payable in the reporting period.

Annuity scheme

The employees of the Group participate in Annuity scheme set up by the Company (the "Annuity scheme"). The Group made annuity contributions with reference to employees' salaries of last year, and the contributions are expensed in profit or loss when incurred. The Group has no further obligation even if the Annuity scheme does not have sufficient assets for payment of supplementary retirement benefits to employees.

Defined benefit plans

The Group's subsidiary Nanyang Commercial Bank, Limited (the "NCB") operates a defined benefit plan for all its retired employees.

Under the plan, the employees are entitled to retirement benefits which included fully redeemed medical care, housing allowance and other retirement benefits.

The liability related to the above post-retirement benefit obligations existing at the end of each reporting period is calculated by independent actuaries using the projected unit credit method and is recorded as a liability. The present value of the liability is determined through discounting the estimated future cash outflows using interest rates of RMB treasury bonds which have terms to maturity approximating the terms of the related liability. The actuarial gains or losses of post-retirement benefit obligations are recognized in "other comprehensive income" immediately when they occur. Except for the actuarial changes, other changes are recognized in profit or loss for the period immediately when they occur.

IV. SIGNIFICANT ACCOUNTING POLICIES (continued)

27. Government grants

Government grants are not recognized until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognized in profit or loss on a systematic basis over the periods in which the Group recognizes as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognized as deferred income in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognized in profit or loss in the period in which they become receivable.

V. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION

The following are the critical judgements and key estimation uncertainties that the management has made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognized in the consolidated financial statements.

1. Classification of financial assets

The Group's critical judgements on determining the classification of financial assets include business model and analysis of contractual cash flow characteristics. The Group's assessment of the business model is performed on a financial assets portfolio basis, taking into consideration of how to generate cash flows of the assets in the past, how the performance of the financial assets are evaluated and reported to the Group's key management personnel, how the risks are evaluated and managed, and how managers of 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.

V. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION (continued)

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.

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 model, 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.

V. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION (continued)

5. Measurement method of insurance contract reserve

At the end of each reporting period, the Group needs to make reasonable estimations on the future cash layout for carrying out insurance contract obligations, such estimations are based on current available information obtainable at the end of each reporting period, and determined by taking into account all different circumstances and relevant probability calculation. The Group makes estimations on the assumptions in the measurement of the insurance contract reserves, which are determined based on the current information available at the end of each reporting period.

6. 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.

7. 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.

8. 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.

V. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION (continued)

9. 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.

10. 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.

11. Impairment of goodwill

Goodwill is tested for impairment annually or more frequently. This requires an estimate of the present value of future cash flows for the asset group or portfolio of assets allocated to goodwill. When estimating the present value of future cash flows, the Group needs to anticipate future cash flows from the asset group or portfolio of assets, and select the appropriate discount rate to determine the present value of future cash flows.

12. Determining the lease term of contracts with renewal and termination options

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised. By considering all relevant factors that create an economic incentive,the Group applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate.

V. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION (continued)

13. Leases – Estimating the incremental borrowing rate

The Group uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The Group estimates the IBR using observable inputs when available and is required to make certain entity-specific estimates to reflect the terms and conditions of the lease.

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, 2020, the net gain on the derecognition of distressed debt assets at amortized cost was RMB1,908 million (For the year ended December 31, 2019, the net loss was RMB1,991 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).

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

3. Fair value changes on other financial instruments (continued)

The fair value changes comprise realized gains and losses on disposal and unrealized fair value changes, from financial assets at fair value through profit or loss (excluding distressed debt assets at fair value through profit or loss), loans and advances to customers at fair value through profit or loss and financial liabilities at fair value through profit or loss. Any interest or dividend income arising from such instruments is included in fair value changes.

For the year ended December 31, 2020 and 2019, the fair value changes on financial liabilities at fair value through profit or loss were insignificant.

	Year ended December 31	
	2020	2019
Financial instruments at fair value through profit or loss	**12,566,515**	14,840,082
Total	**12,566,515**	14,840,082

4. Investment income

	Year ended December 31	
	2020	2019
Net realized gain from disposal of		
– Financial assets at fair value through other comprehensive income	**305,290**	232,019
– Loans and advances to customers at amortized cost	**18,434**	149,338
– Other debt assets (1)	**3,544**	73,253
Dividend income from		
– Financial assets at fair value through other comprehensive income	**1,924**	9,916
Others	**(6,702)**	(37)
Total	**322,490**	464,489

(1) For the year ended December 31, 2020, all the net gains recognized from derecognition of other debt assets are resulting from disposing bonds. (For the year ended December 31, 2019, all the net gains recognized from derecognition of other debt assets are resulting from disposing agreed repurchase trading receivables.)

(Amounts in thousands of RMB, unless otherwise stated)

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	
	2020	2019
Loans and advances to customers		
– Corporate and personal loans and advances	**13,157,774**	13,968,075
– Finance lease receivables	**2,456,763**	2,668,779
– Loans to margin clients	**608,712**	477,482
Financial assets at fair value through other comprehensive income	**2,740,188**	3,219,886
Other debt investments at amortized cost	**2,312,390**	2,353,062
Deposits with banks and financial institutions	**1,321,700**	952,399
Financial assets held under resale agreements	**779,641**	670,706
Placements with banks and financial institutions	**314,089**	816,906
Others	**207,919**	274,331
Total	**23,899,176**	25,401,626

6. Revenue from sales of inventories and purchases and changes in inventories

	Year ended December 31	
	2020	2019
Revenue from sales of inventories	**24,316,307**	18,169,404
Purchases and changes in inventories	**(17,360,392)**	(12,868,770)
Including:		
Revenue from sales of properties held for sale	**24,078,700**	18,155,303
Purchases and changes in properties held for sale	**(17,131,566)**	(12,855,288)
Gross profit from sales of properties	**6,947,134**	5,300,015
Revenue from other trading operations	**237,607**	14,101
Purchases and changes in inventories of other trading operations	**(228,826)**	(13,482)
Gross profit from other trading operations	**8,781**	619

(Amounts in thousands of RMB, unless otherwise stated)

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	
	2020	2019
Recognized revenue at a point in time		
Sales of properties held for sale	**24,078,700**	18,155,303

The transaction price allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 December are, as follows:

	Year ended December 31	
	2020	2019
Within one year	**14,809,670**	19,837,139
More than one year	**18,231**	3,253,016
Total	**14,827,901**	23,090,155

7. Commission and fee income

	Year ended December 31	
	2020	2019
Securities and futures brokerage	**1,210,809**	953,384
Banking business	**1,040,909**	1,053,541
Fund and asset management business	**869,161**	662,337
Agency business	**460,807**	303,234
Trustee services	**315,550**	223,313
Consultancy and financial advisory	**245,174**	190,187
Securities underwriting	**212,066**	107,928
Others	**90,424**	42,634
Total	**4,444,900**	3,536,558

(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	
	2020	2019
Net gains on disposal of subsidiaries	**324,655**	97,122
Net gains on disposal of associates and joint ventures	**1,517,617**	784,482
Total	**1,842,272**	881,604

9. Other income and other net gains or losses

	Year ended December 31	
	2020	2019
Rental income	**889,096**	815,654
Revenue from property management business	**299,888**	286,499
Revenue from project supervision	**274,574**	122,705
Revenue from hotel operation	**234,083**	401,199
Government grants and compensation (1)	**147,737**	188,893
Net gains on disposal of other assets	**127,081**	97,771
Net (losses)/gains on exchange differences	**(1,529,321)**	839,648
Others	**601,542**	51,843
Total	**1,044,680**	2,804,212

(1) For the year ended December 31, 2020, the government grant and compensation from operating activities, as part of other income and other net gains or losses, amounted to RMB121.69 million.

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

10. Interest expense

	Year ended December 31	
	2020	2019
Borrowings		
– Wholly repayable within five years	**(20,120,856)**	(24,227,058)
– Not wholly repayable within five years	**(1,468,957)**	(1,895,185)
Bonds issued	**(13,287,827)**	(12,046,251)
Due to customers	**(4,103,497)**	(4,955,494)
Financial assets sold under repurchase agreements	**(196,879)**	(191,900)
Placements from banks and financial institutions	**(143,288)**	(218,188)
Deposits from banks and financial institutions	**(135,455)**	(662,126)
Accounts payable to brokerage clients	**(55,362)**	(45,212)
Lease liabilities	**(36,722)**	(43,732)
Others	**(69,661)**	(81,407)
Total	**(39,618,504)**	(44,366,553)

11. Employee benefits

	Year ended December 31	
	2020	2019
Wages or salaries, bonuses, allowances and subsidies	**(4,909,830)**	(4,624,609)
Defined contribution plans	**(361,465)**	(477,259)
Social insurance	**(250,791)**	(273,801)
Housing funds	**(204,454)**	(185,529)
Labour union fees and staff education expenses	**(120,391)**	(131,238)
Defined benefit plans	**(4,364)**	(4,611)
Others	**(307,600)**	(304,893)
Total	**(6,158,895)**	(6,001,940)

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

12. Commission and fee expense

	Year ended December 31	
	2020	2019
Securities and futures brokerage	**(373,029)**	(345,044)
Entrusted asset management	**(86,914)**	(300,119)
Securities underwriting business	**(58,532)**	(36,745)
Others	**(117,419)**	(37,672)
Total	**(635,894)**	(719,580)

13. Impairment losses on assets

	Year ended December 31	
	2020	2019
Allowances of impairment losses on assets		
Financial assets at amortized cost		
– Distressed debt assets	**(7,659,893)**	(3,544,081)
– Other debt investments	**(636,463)**	(328,261)
Loans and advances to customers	**(2,699,360)**	(2,084,043)
Properties held for sale	**(1,343,877)**	(433,819)
Assets in satisfaction of debts	**(636,974)**	(99,506)
Interests in associates and joint ventures	**(403,566)**	(1,858,375)
Financial assets held under resale agreements	**(150,753)**	(521,947)
Interest receivable	**(111,216)**	(547)
Goodwill	**(103,534)**	(4,282)
Property and equipment	**(3,137)**	(75,367)
Accounts receivable	**63,930**	115,494
Other assets	**(411,976)**	(89,499)
Total	**(14,096,819)**	(8,924,233)

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

14. Profit before tax

	Year ended December 31	
	2020	2019
Profit before tax for the year has been arrived at after charging:		
Depreciation of property and equipment	**(899,657)**	(559,797)
Depreciation of right-of-use assets	**(439,931)**	(463,665)
Amortization	**(375,509)**	(344,540)
Depreciation of investment properties	**(342,652)**	(190,671)
Operating lease expenses	**(63,070)**	(93,109)

Principal auditors' remuneration for the year ended December 31, 2020 was RMB43.72 million (2019: RMB41.95 million).

15. Income tax expense

	Year ended December 31	
	2020	2019
Current income tax:		
– PRC Enterprise Income Tax	**(5,471,470)**	(5,021,262)
– PRC Land Appreciation Tax ("LAT")	**(1,165,330)**	(1,023,527)
– Hong Kong Profits Tax	**(550,892)**	(463,137)
– Overseas taxation	**(89)**	(151)
Overprovision in prior years	**33,461**	116,055
Subtotal	**(7,154,320)**	(6,392,022)
Deferred income tax (Note VI.42)	**1,830,310**	637,400
Total	**(5,324,010)**	(5,754,622)

The statutory income tax rate applicable to PRC enterprises is 25% for the year (2019: 25%). A subsidiary of the Company set up in the Western Region (as defined in Note VI.71.1 Credit Risk) of the PRC is taxed at 15% (2019: 15%) subject to an annual special approval by the tax bureau.

Hong Kong Profits Tax is calculated at 16.5% (2019: 16.5%) of the estimated assessable profit for the year.

(Amounts in thousands of RMB, unless otherwise stated)

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	
	2020	2019
Profit before tax from continuing operations	**16,309,257**	19,272,440
Profit before tax from a discontinued operation	**265,621**	273,224
Profit before tax	**16,574,878**	19,545,664
Income tax calculated at the tax rate of 25%	**(4,143,719)**	(4,886,416)
Tax effect of a discontinued operation	**(1,200,107)**	1,200,107
Effect of tax losses and deductible temporary differences not recognized	**(1,368,094)**	(1,175,654)
LAT	**(1,165,330)**	(1,023,527)
Tax effect of LAT	**291,332**	255,882
Tax effect of income not taxable for tax purpose (1)	**499,015**	412,590
Effect of different tax rates of subsidiaries	**381,160**	398,718
Tax effect of share of results of associates and joint ventures	**64,790**	277,740
Tax effect of expenses not deductible for tax purpose (2)	**(258,402)**	(227,048)
Overprovision in prior years	**175,142**	116,055
Adjustment in respect of cost and distribution payment for additional equity instruments	**68,119**	68,293
Effect of utilization of tax losses not previously recognized	**111,586**	55,813
Income tax expense	**(6,544,508)**	(4,527,447)
Income tax expense attributable to continuing operations	**(5,324,010)**	(5,754,622)
Income tax credit attributable to a discontinued operation	**(1,220,498)**	1,227,175

(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.

(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	
	2020	2019
Earnings:		
Profit attributable to ordinary equity holders of the parent:	**13,247,880**	13,052,946
Continuing operations	**9,616,026**	11,821,754
Discontinued operation	**3,631,854**	1,231,192
Profit attributable to equity holders of the Company	**13,247,880**	13,052,946
Less: Dividends on preference shares declared and distributed	**1,090,199**	1,120,767
Profit attributable to ordinary shareholders of the Company	**12,157,681**	11,932,179
Profit attributable to ordinary shareholders of the Company from continuing operations	**8,525,827**	10,700,987
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)	**0.32**	0.31
Diluted earnings per share (RMB Yuan)	**0.32**	0.31
Basic earnings per share from continuing operations (RMB Yuan)	**0.22**	0.28
Diluted earnings per share from continuing operations (RMB Yuan)	**0.22**	0.28

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

17. Dividends

	Year ended December 31	
	2020	2019
Final dividend of 2019	**3,915,681**	–
Final dividend of 2018	**–**	3,625,631
Dividends recognized as distribution during the year	**3,915,681**	3,625,631

The resolution on the profit distribution plan for 2019 was duly approved by the shareholders at the Annual General Meeting held on June 30, 2020. In accordance with the plan, the dividend of RMB3,915.68 million was distributed during the year.

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

18. Emoluments of directors and supervisors

	Year ended December 31, 2020			
	Fees	Paid remuneration	All kinds of social insurance, housing funds and annuity schemes	Total (before tax)
Executive directors				
ZHANG Zi'ai	–	481	191	672
ZHANG Weidong (1)	–	481	178	659
Non-executive directors				
HE Jieping (2)	–	–	–	–
XU Long (2)	–	–	–	–
YUAN Hong (2)(3)	–	–	–	–
WANG Shaoshuang (2)(4)	–	–	–	–
ZHANG Yuxiang (2)(5)	–	–	–	–
ZHANG Guoqing (2)	–	–	–	–
LIU Chong (2)	–	–	–	–
Independent non-executive directors				
ZHU Wuxiang	250	–	–	250
SUN Baowen	250	–	–	250
LU Zhengfei	250	–	–	250
LAM Chi Kuen	250	–	–	250
Supervisors				
GONG Jiande	–	481	178	659
LIU Yanfen	200	–	–	200
LI Chun	200	–	–	200
ZHANG Zheng	200	–	–	200
GONG Hongbing (6)	20	–	–	20
LU Baoxing (6)	20	–	–	20
YUAN Liangming (6)	20	–	–	20
Total	1,660	1,443	547	3,650

VI. EXPLANATORY NOTES (continued)

18. Emoluments of directors and supervisors (continued)

(1) Zhang Weidong was appointed as the proposed president by the Board in October 2019, and his qualification was approved by the CBIRC in January 2020.

Zhang Weidong was nominated as the executive director by the Board in October 2019, which was approved by the second extraordinary general meeting in December 2019, and his qualification was approved by the CBIRC in January 2020.

(2) These non-executive directors did not receive any fees from the Company.

(3) Yuan Hong ceased to be the non-executive director in February 2020.

(4) Wang Shaoshuang was nominated as the non-executive director by the Board in July 2020, which was approved by the first extraordinary general meeting in September 2020, and his qualification was approved by the CBIRC in November 2020.

(5) Zhang Yuxiang was nominated as the non-executive director by the Board in June 2020, which was approved by the 2019 General meeting, and her qualification was approved by the CBIRC in August 2020.

(6) The amounts only included fees for their services as employee representative supervisors.

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

18. Emoluments of directors and supervisors (continued)

	Year ended December 31, 2019			
	Fees	Paid remuneration	All kinds of social insurance, housing funds and annuity schemes	Total (before tax)
Executive directors				
ZHANG Zi'ai	–	731	187	918
CHEN Xiaozhou (1)	–	608	160	768
ZHANG Weidong (2)	–	122	33	155
Non-executive directors				
HE Jieping (3)	–	–	–	–
XU Long (3)	–	–	–	–
YUAN Hong (3)	–	–	–	–
ZHANG Guoqing (3)	–	–	–	–
LIU Chong (3)	–	–	–	–
Independent non-executive directors				
CHANG Tso Tung, Stephen (4)	220	–	–	220
XU Dingbo (5)	208	–	–	208
ZHU Wuxiang	250	–	–	250
SUN Baowen	250	–	–	250
LU Zhengfei (6)	63	–	–	63
LAM Chi Kuen (7)	32	–	–	32
Supervisors				
GONG Jiande	–	730	184	914
LIU Yanfen	200	–	–	200
LI Chun	200	–	–	200
ZHANG Zheng	200	–	–	200
GONG Hongbing (12)	20	–	–	20
LIN Dongyuan (8)(12)	13	–	–	13
JIA Xiuhua (9)(12)	13	–	–	13
LU Baoxing (10)(12)	7	–	–	7
YUAN Liangming (11)(12)	7	–	–	7
Total	1,683	2,191	564	4,438

VI. EXPLANATORY NOTES (continued)

18. Emoluments of directors and supervisors (continued)

(1) Chen Xiaozhou ceased to be the President and executive director in October 2019, and his emoluments disclosed above include those for services rendered by him as the President and executive director during the year.

(2) Zhang Weidong was appointed as the proposed president by the Board in October 2019, and his qualification was approved by the CBIRC in January 2020. Zhang Weidong was nominated as the executive director by the Board in October 2019, which was approved by the second extraordinary general meeting in December 2019, and his qualification was approved by the CBIRC in January 2020.

(3) These non-executive directors did not receive any fees from the Company.

(4) Chang Tso Tung, Stephen ceased to be the independent non-executive director in November 2019.

(5) Xu Dingbo ceased to be the independent non-executive director in September 2019.

(6) Lu Zhengfei was elected as the independent non-executive director in September 2019.

(7) Lam Chi Kuen was elected as the independent non-executive director in November 2019.

(8) Lin Dongyuan ceased to be the supervisor in August 2019.

(9) Jia Xiuhua ceased to be the supervisor in August 2019.

(10) Lu Baoxing was elected as the supervisor in August 2019.

(11) Yuan Liangming was elected as the supervisor in August 2019.

(12) 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, 2020 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, 2019 have not yet been approved by the Annual General Meeting. The final compensation will be disclosed in a separate announcement after approval.

During the year, no emolument was paid by the Group to any of the directors, supervisors, key management personnel or the five highest paid individuals as set out in Note VI.19 Key management personnel and five highest paid individuals below as an inducement to join or upon joining the Group or as a compensation for loss of office. None of them waived any emoluments during the year. Bonus was determined based on the performance of individuals by the Group on a discretionary basis.

(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	
	2020	2019
Emoluments of key management personnel		
Paid emoluments	**10,950**	9,528
All kinds of social insurance, housing funds and annuity schemes	**1,785**	1,003
Total (before tax)	**12,735**	10,531

The number of key management personnel with emoluments within the following bands is as follows:

	Year ended December 31	
	2020	2019
RMB100,001 to RMB500,000	**4**	1
RMB500,001 to RMB1,000,000	**1**	5
RMB1,000,001 to RMB1,500,000	**1**	1
RMB1,500,001 to RMB2,000,000	**4**	–
RMB2,000,001 to RMB2,500,000	**–**	1
RMB2,500,001 to RMB3,000,000	**–**	–
RMB3,000,001 to RMB3,500,000	**–**	1
Total	**10**	9

(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, 2020 were as follows:

	Year ended December 31	
	2020	2019
Remuneration	**16,801**	17,302
All kinds of social insurance, housing funds and annuity schemes	**1,623**	1,082
Total (before tax)	**18,424**	18,384

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	
	2020	2019
RMB3,000,001 to RMB3,500,000	**4**	2
RMB3,500,001 to RMB4,000,000	**1**	3
Total	**5**	5

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

20. Statement of financial position

	Notes VI	As at December 31 2020	2019
Assets			
Cash and balances with central banks	21	**2,667**	2,798
Deposits with banks and financial institutions	22	**28,324,705**	12,018,928
Financial assets at fair value through profit or loss	25	**347,540,534**	323,508,433
Financial assets held under resale agreements	26	**34,112,502**	10,479,747
Financial assets at fair value through other comprehensive income	27	**8,014,318**	4,199,647
Financial assets at amortized cost	29	**182,569,154**	187,365,891
Accounts receivable	30	**805,417**	552,805
Amounts due from subsidiaries	31	**27,331,231**	43,596,732
Investment properties	33	**279,512**	295,963
Interests in subsidiaries	34	**39,484,717**	39,484,717
Interests in consolidated structured entities	36	**49,024,530**	35,124,121
Interests in associates and joint ventures	37	**49,037,278**	48,497,327
Property and equipment	39	**1,068,203**	1,113,793
Other intangible assets	41	**23,998**	25,332
Deferred tax assets	42	**4,798,106**	2,722,196
Assets held for sale	56	**–**	7,449,679
Other assets	43	**18,163,027**	12,596,788
Total assets		**790,579,899**	729,034,897

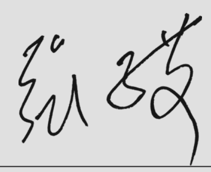
(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

20. Statement of financial position (continued)

		As at December 31	
	Notes VI	**2020**	2019
Liabilities			
Borrowings from central bank	44	**986,058**	986,058
Financial liabilities at fair value through profit or loss	46	**204,201**	717,977
Borrowings	49	**443,968,344**	426,086,925
Accounts payable	52	**1,000**	–
Tax payable	53	**778,176**	38,503
Bonds issued	54	**199,874,325**	154,916,816
Other liabilities	57	**9,487,441**	10,162,315
Total liabilities		**655,299,545**	592,908,594
Equity			
Share capital	58	**38,164,535**	38,164,535
Other equity instruments	59	**21,281,215**	21,281,215
Capital reserve	60	**19,135,464**	19,008,206
Other comprehensive income	61	**(461,409)**	(106,328)
Surplus reserve	62	**8,938,344**	8,499,569
General reserve	63	**10,629,877**	10,629,877
Retained earnings	64	**37,592,328**	38,649,229
Total equity		**135,280,354**	136,126,303
Total equity and liabilities		**790,579,899**	729,034,897

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



CHAIRMAN

PRESIDENT

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

21. Cash and balances with central banks

Group

	As at December 31	
	2020	2019
Cash	**527,358**	577,491
Mandatory reserve deposits with central banks (1)	**7,854,243**	8,932,048
Surplus reserve deposits with central banks	**4,405,397**	5,318,432
Other deposits with central banks	**2,588,050**	4,174,080
Total	**15,375,048**	19,002,051
Including:		
Restricted		
– Balances with central banks	**7,972,114**	8,964,522

Company

	As at December 31	
	2020	2019
Cash	**257**	399
Other deposits with central banks	**2,410**	2,399
Total	**2,667**	2,798

(1) In accordance with relevant regulations, NCB, 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, 2020, the mandatory deposits were calculated at 9% (As at December 31, 2019: 10.5%) of customer deposits denominated in RMB and 5% (As at December 31, 2019: 5%) of customer deposits denominated in foreign currencies. Mandatory reserve deposits are not available for use by the Group in its daily operations.

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

22. Deposits with banks and financial institutions

Group

	As at December 31	
	2020	2019
Deposits with banks		
– House accounts	**71,245,503**	55,937,328
– Cash held on behalf of clients	**12,891,950**	11,414,878
Clearing settlement funds		
– House accounts	**442,731**	559,594
– Clients	**2,679,062**	2,154,836
Deposits with other financial institutions		
– House accounts	**711,243**	688,204
Interest receivable	**47,359**	146,626
Subtotal	**88,017,848**	70,901,466
Less: Allowance for impairment losses	**64,285**	63,873
Total	**87,953,563**	70,837,593
Including:		
Restricted funds	**28,453,655**	21,566,732

(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	
	2020	2019
Deposits with banks	**28,313,038**	**12,014,605**
Interest receivable	**11,667**	4,323
Subtotal	**28,324,705**	12,018,928
Less: Allowance for impairment losses	**–**	–
Total	**28,324,705**	12,018,928

Pledged bank deposits represent deposits that have been pledged to secure bank borrowings. As at December 31, 2020, the Group's pledged bank deposits amounted to RMB300.00 million (As at December 31, 2019: RMB1,193.00 million).

The Group's clearing settlement funds were interest-bearing at prevailing market interest rates and mainly deposited in the China Securities Depository and Clearing Corporation Limited. As at December 31, 2020, the Group's restricted clearing settlement funds amounted to RMB2,679.06 million (As at December 31, 2019: RMB2,154.84 million).

As at December 31, 2020, the Group's deposits with banks and financial institutions in Stage I, II and III amounted to RMB87,954.58 million, nil and RMB63.27 million, respectively (December 31, 2019: RMB70,838.20 million, nil and RMB63.27 million, respectively). The allowance for impairment losses amounted to RMB1.02 million, nil and RMB63.27 million, respectively (December 31, 2019: RMB0.60 million, nil and RMB63.27 million, respectively).

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

23. Deposits with exchanges and others

Group

	As at December 31	
	2020	2019
Shanghai Stock Exchange	**84,977**	**48,796**
Shenzhen Stock Exchange	**51,296**	26,620
The Stock Exchange of Hong Kong Limited	**7,515**	3,550
National Equities Exchange and Quotations	**1,123**	636
Hong Kong Securities Clearing Company Limited	**380**	399
China Securities Finance Corporation Limited	**139,615**	1,042
Shanghai Futures Exchange	**337,156**	463,366
Dalian Commodity Exchange	**412,507**	372,643
Zhengzhou Commodity Exchange	**310,797**	143,217
China Financial Futures Exchange	**571,922**	219,240
Shanghai International Energy Exchange	**28,427**	10,158
The SEHK Options Clearing House Limited	**1,262**	–
Others	**7**	33,692
Total	**1,946,984**	1,323,359

The Company had no deposits with any exchanges or financial institutions at the end of 2020 and 2019.

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

24. Placements with banks and financial institutions

Group

	As at December 31	
	2020	2019
Banks	**19,890,230**	11,106,600
Other financial institutions	**100,000**	100,000
Interest receivable	**5,715**	32,862
Subtotal	**19,995,945**	11,239,462
Less: Allowance for impairment losses	**86,440**	87,162
Total	**19,909,505**	11,152,300

As at December 31, 2020, the Group's placements with banks and financial institutions in Stage I, II and III amounted to RMB19,910.23 million, nil and RMB85.71 million, respectively (December 31, 2019: RMB11,153.75 million, nil and RMB85.71 million, respectively). The allowance for impairment losses amounted to RMB0.73 million, nil and RMB85.71 million, respectively (December 31, 2019: RMB1.45 million, nil and RMB85.71 million, respectively).

As at December 31, 2020 and December 31, 2019, the Company had no placements with banks and financial institutions.

(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	
	2020	2019
Financial assets classified as at fair value through profit or loss		
Listed investments:		
Equity investments	**13,561,934**	9,565,812
Debt securities		
– Government bonds	**5,579,784**	5,968,207
– Public sector and quasi-government bonds	**10,341**	1,044
– Corporate bonds	**6,278,631**	4,521,715
Funds	**7,295,378**	2,071,045
Corporate convertible bonds	**123,082**	55,579
Subtotal	**32,849,150**	22,183,402
Unlisted investments:		
Distressed debt assets	**198,746,185**	197,621,332
Funds	**101,702,383**	89,143,751
Equity investments	**49,474,894**	55,791,190
Debt instruments	**31,674,575**	28,148,647
Trust products and asset management plans	**25,083,228**	15,459,780
Security investments	**2,569,332**	1,642,858
Wealth management products	**2,344,900**	1,475,898
Derivative financial assets (1)	**2,416,116**	619,316
Others	**55,911**	78,409
Subtotal	**414,067,524**	389,981,181
Total	**446,916,674**	412,164,583

(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, 2020			As at December 31, 2019		
	Contractual/ Notional amount	Fair value Assets	Fair value Liabilities	Contractual/ Notional amount	Fair value Assets	Fair value Liabilities
Exchange rate derivatives						
Currency forwards and swaps, and cross-currency interest rate swaps	**84,471,580**	**561,471**	**(1,053,077)**	43,518,087	477,815	(404,521)
Currency options	**4,204,646**	**97,215**	**(88,077)**	693,389	6,080	(6,081)
Subtotal	**88,676,226**	**658,686**	**(1,141,154)**	44,211,476	483,895	(410,602)
Interest rate derivatives						
Interest rate swaps	**146,410,467**	**143,535**	**(460,036)**	116,508,057	27,365	(131,429)
Equity derivatives(i)	**7,598,893**	**1,613,324**	**(12,243)**	488,509	26,288	–
Commodity derivatives and others	**66,014**	**571**	**(3,132)**	1,255,240	81,768	(826)
Total	**242,751,600**	**2,416,116**	**(1,616,565)**	162,463,282	619,316	(542,857)

(i) Please refer to Note VI.72.2 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.

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

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

Company

	As at December 31	
	2020	2019
Financial assets classified as at fair value through profit or loss		
Distressed debt assets	**198,870,483**	198,146,517
Funds	**70,339,626**	55,470,435
Equity investments	**29,883,714**	33,758,192
Debt instruments	**29,916,848**	27,224,738
Trust products and asset management plans	**17,006,247**	8,097,423
Security investments	**1,523,616**	811,128
Total	**347,540,534**	323,508,433
Analysed as:		
Listed	**8,250,452**	7,463,951
Unlisted	**339,290,082**	316,044,482

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

26. Financial assets held under resale agreements

Group

	As at December 31	
	2020	2019
By collateral type:		
Bonds	**35,117,764**	11,886,129
Stocks	**1,499,720**	1,722,173
Interest receivable	**41,775**	14,837
Subtotal	**36,659,259**	13,623,139
Less: Allowance for impairment losses	**418,106**	410,685
Total	**36,241,153**	13,212,454

As at December 31, 2020, the Group's assets held under resale agreements in Stage I, II and III amounted to RMB36,094.17 million, RMB3.17 million and 561.92 million, respectively (As at December 31, 2019: RMB12,613.92 million, RMB344.55 million and 664.67 million, respectively). The allowance for impairment losses amounted to RMB11.45 million, RMB0.16 million and RMB406.50 million, respectively (As at December 31, 2019: RMB1.18 million, RMB44.13 million and RMB365.38 million, respectively).

(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	
	2020	2019
By collateral type:		
Bonds	**34,083,349**	10,477,409
Interest receivable	**38,861**	2,575
Subtotal	**34,122,210**	10,479,984
Less: Allowance for impairment losses	**9,708**	237
Total	**34,112,502**	10,479,747

As at December 31, 2020, all the Company's assets held under resale agreements were in Stage I, and amounted to RMB34,122.21 million (As at December 31, 2019: RMB10,479.98 million). The allowance for impairment losses amounted to RMB9.71 million (As at December 31, 2019: RMB0.24 million).

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

27. Financial assets at fair value through other comprehensive income

Group

	As at December 31	
	2020	2019
Debt investments at fair value through other comprehensive income		
Debt securities		
– Government bonds	**40,320,392**	54,394,469
– Public sector and quasi-government bonds	**4,856,989**	4,948,670
– Financial institution bonds	**34,772,123**	30,911,883
– Corporate bonds	**27,692,655**	23,483,657
Certificates of deposit	**10,484,628**	17,640,471
Interest receivable	**1,128,596**	1,196,252
Subtotal	**119,255,383**	132,575,402
Equity investments designated as at fair value through other comprehensive income		
Equity instruments	**4,473,085**	4,227,563
Subtotal	**4,473,085**	4,227,563
Total	**123,728,468**	136,802,965

As at December 31, 2020, the Group's debt investments at fair value through other comprehensive income in Stage I, II and III amounted to RMB118,591.28 million, nil, RMB150.05 million, respectively (As at December 31, 2019: RMB132,013.38 million, nil, RMB160.44 million, respectively). The allowance for impairment losses amounted to RMB71.41 million, nil and RMB150.05 million, respectively (As at December 31, 2019: RMB60.19 million, nil and RMB160.44 million respectively).

As at December 31, 2020, the Group's equity investments at fair value through other comprehensive income amounted to RMB4,473.09 million (December 31, 2019: RMB4,227.56 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, 2020, the Group received dividends in the amounts of RMB1.92 million (During the year ended December 31, 2019: RMB9.92 million) from equity investments designated as at fair value through other comprehensive income.

(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	
	2020	2019
Debt investments at fair value through other comprehensive income		
Debt securities		
– Government bonds	**1,501,742**	–
Certificates of deposit	**3,024,881**	–
Interest receivable	**44,324**	–
Subtotal	**4,570,947**	–
Equity investments designated as at fair value through other comprehensive income		
Equity instruments	**3,443,371**	4,199,647
Subtotal	**3,443,371**	4,199,647
Total	**8,014,318**	4,199,647

As at December 31, 2020, all the Company's debt investments at fair value through other comprehensive income were in Stage I, and amounted to RMB4,626.80 million (As at December 31, 2019: nil). The allowance for impairment losses amounted to RMB0.42 million (As at December 31, 2019: nil).

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

28. Loans and advances to customers

Group

	As at December 31	
	2020	2019
At amortized cost		
Corporate loans and advances		
– Loans and advances	**231,519,952**	229,007,729
– Discounted bills	**555,932**	2,036,542
Personal loans and advances		
– Mortgages	**27,332,895**	26,274,047
– Personal consumption loans	**21,239,038**	20,483,984
Loans to margin clients	**9,706,705**	7,070,164
Finance lease receivables	**48,645,645**	44,234,870
Subtotal	**339,000,167**	329,107,336
Interest accrued	**2,395,050**	2,014,792
Total loans and advances to customers at amortized cost	**341,395,217**	331,122,128
At fair value through profit or loss		
Corporate loans and advances	**19,546,738**	15,007,348
Total loans and advances to customers	**360,941,955**	346,129,476
Less: Allowance for impairment losses on loans and advances to customers at amortized cost	**7,485,658**	8,270,412
Net loans and advances to customers	**353,456,297**	337,859,064

(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, 2020				
Gross loans and advances	**324,629,534**	**11,056,135**	**5,709,548**	**341,395,217**
Less: Allowances for impairment losses	**2,351,618**	**1,948,428**	**3,185,612**	**7,485,658**
Net loans and advances to customers	**322,277,916**	**9,107,707**	**2,523,936**	**333,909,559**

	Stage I (12-month ECL)	Stage II (Lifetime ECL)	Stage III (Lifetime ECL-impaired)	Total
As at December 31, 2019				
Gross loans and advances	313,233,263	10,607,636	7,281,229	331,122,128
Less: Allowances for impairment losses	2,681,287	2,211,544	3,377,581	8,270,412
Net loans and advances to customers	310,551,976	8,396,092	3,903,648	322,851,716

(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:

	2020			
	Stage I (12-month ECL)	Stage II (Lifetime ECL)	Stage III (Lifetime ECL-impaired)	Total
As at January 1	2,681,287	2,211,544	3,377,581	8,270,412
Convert to Stage I	413,534	(413,522)	(12)	–
Convert to Stage II	(245,012)	391,014	(146,002)	–
Convert to Stage III	(26,367)	(980,474)	1,006,841	–
Impairment losses recognized	1,164,557	270,741	2,024,648	3,459,946
Impairment losses reversed	(1,228,124)	(188,004)	(306,789)	(1,722,917)
Stage conversion	(378,731)	709,039	632,023	962,331
Write-off and transfer out	–	(40,062)	(3,432,309)	(3,472,371)
Recovery of loans and advances written off in previous years	–	–	94,542	94,542
Unwinding of discount on allowance	–	–	(18,182)	(18,182)
Exchange differences	(29,526)	(11,848)	(46,729)	(88,103)
As at December 31	2,351,618	1,948,428	3,185,612	7,485,658

The gross carrying amount of loans and advances to customers transferred from Stage III or Stage II to Stage I due to the modification of the contractual cash flows in the year of 2020 was not significant.

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

28. Loans and advances to customers (continued)

Group (continued)

	2019			
	Stage I (12-month ECL)	Stage II (Lifetime ECL)	Stage III (Lifetime ECL-impaired)	Total
As at January 1	3,668,159	959,304	3,034,137	7,661,600
Convert to Stage I	64,757	(3,763)	(60,994)	–
Convert to Stage II	(123,209)	128,486	(5,277)	–
Convert to Stage III	(318,097)	(77,220)	395,317	–
Impairment losses recognized	997,163	711,559	1,223,224	2,931,946
Impairment losses reversed	(1,578,466)	(174,417)	(499,505)	(2,252,388)
Stage conversion	(56,408)	658,114	802,779	1,404,485
Write-off and transfer out	–	–	(1,516,518)	(1,516,518)
Recovery of loans and advances written off in previous years	–	–	5,401	5,401
Unwinding of discount on allowance	–	–	(9,189)	(9,189)
Exchange differences	27,388	9,481	8,206	45,075
As at December 31	2,681,287	2,211,544	3,377,581	8,270,412

The gross carrying amount of loans and advances to customers transferred from Stage III or Stage II to Stage I due to the modification of the contractual cash flows in the year of 2019 was not significant.

(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	
	2020	2019
Minimum finance lease receivables:		
Within 1 year (inclusive)	**20,048,878**	19,918,981
1 year to 2 years (inclusive)	**14,262,674**	12,742,276
2 years to 3 years (inclusive)	**8,024,371**	8,810,589
3 years to 4 years (inclusive)	**4,313,437**	2,904,380
4 years to 5 years (inclusive)	**3,605,488**	1,529,113
Over 5 years	**4,175,985**	3,262,264
Gross amount of finance lease receivables	**54,430,833**	49,167,603
Less: Unearned finance income	**5,785,188**	4,932,733
Subtotal	**48,645,645**	44,234,870
Interest accrued	**249,832**	224,304
Net amount of finance lease receivables	**48,895,477**	44,459,174
Less: Allowance for impairment losses	**2,317,846**	2,769,653
Carrying amount of finance lease receivables	**46,577,631**	41,689,521
Present value of minimum lease receivables:		
Within 1 year (inclusive)	**18,060,685**	17,788,548
1 year to 2 years (inclusive)	**12,891,251**	11,588,460
2 years to 3 years (inclusive)	**7,239,074**	8,161,928
3 years to 4 years (inclusive)	**3,712,478**	2,605,562
4 years to 5 years (inclusive)	**3,308,055**	1,362,012
Over 5 years	**3,683,934**	2,952,664
Total	**48,895,477**	44,459,174
Including:		
Finance lease receivables pledged for borrowings	**3,354,728**	3,051,730

The Company had no loans and advances to customers as at December 31, 2020 and 2019.

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

29. Financial assets at amortized cost

Group

	As at December 31	
	2020	2019
Distressed debt assets		
– Acquired from financial institutions	**5,889,582**	10,080,485
– Acquired from non-financial institutions	**181,520,507**	184,439,371
Subtotal	**187,410,089**	194,519,856
Interest accrued	**5,621,172**	3,426,127
Gross of distressed debt assets	**193,031,261**	197,945,983
Less: Allowance for impairment losses	**16,524,845**	11,510,610
Net of distressed debt assets	**176,506,416**	186,435,373
Other debt investments	**44,704,861**	41,990,957
Interest accrued	**1,099,705**	660,311
Gross of other debt investments	**45,804,566**	42,651,268
Less: Allowance for impairment losses	**2,078,026**	1,441,574
Net of other debt investments	**43,726,540**	41,209,694
Total	**220,232,956**	227,645,067

(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, 2020				
Gross distressed debt assets	**142,993,369**	**42,304,988**	**7,732,904**	**193,031,261**
Less: Allowance for impairment losses	**5,575,629**	**7,690,661**	**3,258,555**	**16,524,845**
Net distressed debt assets	**137,417,740**	**34,614,327**	**4,474,349**	**176,506,416**

The changes of gross carrying amounts of the Group were mainly due to the following:

The Group adjusted the five tier classification and customer internal rating of distressed debt assets, and the distressed debt assets with a gross carrying amount of RMB23,065 million was transferred from Stage I to Stage II, and the corresponding impairment allowance was increased by RMB2,309 million. The gross carrying amount of debt assets transferred from Stage I and Stage II to Stage III was RMB6,662 million, with a corresponding increase in impairment allowance of RMB1,876 million. No distressed debt assets were transferred from Stage III to Stage II and Stage I.

The Group transferred out impaired distressed debt assets with a gross carrying amount of RMB4,968 million, resulting in a corresponding reduction of RMB2,461 million in impairment allowance for Stage III debt assets.

The Group has none distressed debt assets transferred from Stage III or Stage II to Stage I due to the modification of the contractual cash flows in the year of 2020.

(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 2020 are as follows:

	2020			
	Stage I (12-month ECL)	**Stage II (Lifetime ECL)**	**Stage III (Lifetime ECL-impaired)**	**Total**
As at January 1	**5,767,608**	**2,403,302**	**3,339,700**	**11,510,610**
Convert to Stage I	**–**	**–**	**–**	**–**
Convert to Stage II	**(754,554)**	**754,554**	**–**	**–**
Convert to Stage III	**(30,335)**	**(334,484)**	**364,819**	**–**
Impairment losses recognized	**3,064,381**	**2,776,089**	**570,499**	**6,410,969**
Impairment losses reversed	**(2,357,182)**	**(205,030)**	**(373,350)**	**(2,935,562)**
Stage conversion	**–**	**2,308,500**	**1,875,986**	**4,184,486**
Write-off and transfer out	**(114,289)**	**(12,270)**	**(2,460,916)**	**(2,587,475)**
Unwinding of discount on allowance	**–**	**–**	**(58,183)**	**(58,183)**
As at December 31	**5,575,629**	**7,690,661**	**3,258,555**	**16,524,845**

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, 2019				
Gross distressed debt assets	164,890,144	27,156,262	5,899,577	197,945,983
Less: Allowance for impairment losses	5,767,608	2,403,302	3,339,700	11,510,610
Net distressed debt assets	159,122,536	24,752,960	2,559,877	186,435,373

(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 RMB26,046 million was transferred from Stage I to Stage II and Stage III, and the corresponding impairment allowance was increased by RMB4,392 million. The gross carrying amount of debt assets transferred from Stage II to Stage I was RMB1,974 million, with a corresponding decrease in impairment allowance of RMB343 million. No distressed debt assets were transferred from Stage II to Stage III, or Stage III to Stage II and Stage I.

The Group transferred out impaired distressed debt assets with a gross carrying amount of RMB8,160 million, resulting in a corresponding reduction of RMB4,091 million in impairment allowance for Stage III debt assets.

The gross carrying amount of the distressed debt assets transferred from Stage III or Stage II to Stage I due to the modification of the contractual cash flows in the year of 2019 was not significant.

The movements of allowance for distressed debt assets in the year of 2019 are as follows:

	2019			
	Stage I (12-month ECL)	Stage II (Lifetime ECL)	Stage III (Lifetime ECL-impaired)	Total
As at January 1	6,774,824	1,811,341	4,301,300	12,887,465
Convert to Stage I	831,292	(831,292)	–	–
Convert to Stage II	(322,471)	322,471	–	–
Convert to Stage III	(75,261)	–	75,261	–
Impairment losses recognized	2,959,532	844,937	219,502	4,023,971
Impairment losses reversed	(3,936,123)	(526,918)	(65,734)	(4,528,775)
Stage conversion	(343,423)	1,491,199	2,901,110	4,048,886
Write-off and transfer out	(120,762)	(708,436)	(4,091,409)	(4,920,607)
Unwinding of discount on allowance	–	–	(330)	(330)
As at December 31	5,767,608	2,403,302	3,339,700	11,510,610

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

29. Financial assets at amortized cost (continued)

Company

	As at December 31	
	2020	2019
Distressed debt assets		
– Acquired from financial institutions	**5,889,582**	10,080,485
– Acquired from non-financial institutions	**181,600,881**	185,020,419
Subtotal	**187,490,463**	195,100,904
Interest accrued	**5,623,022**	3,436,246
Gross of distressed debt assets	**193,113,485**	198,537,150
Less: Allowance for impairment losses	**16,380,750**	11,412,402
Net of distressed debt assets	**176,732,735**	187,124,748
Other debt investments	**6,001,951**	295,440
Interest accrued	**28,544**	4,231
Gross of other debt investments	**6,030,495**	299,671
Less: Allowance for impairment losses	**194,076**	58,528
Net of other debt investments	**5,836,419**	241,143
Total	**182,569,154**	187,365,891

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

29. Financial assets at amortized cost (continued)

Company (continued)

Distressed debt assets are as follows:

	Stage I (12-month ECL)	Stage II (Lifetime ECL)	Stage III (Lifetime ECL-impaired)	Total
As at December 31, 2020				
Gross distressed debt assets	**143,269,118**	**42,304,988**	**7,539,379**	**193,113,485**
Less: Allowance for impairment losses	**5,602,841**	**7,690,661**	**3,087,248**	**16,380,750**
Net distressed debt assets	**137,666,277**	**34,614,327**	**4,452,131**	**176,732,735**

Refer to the Group for the changes of gross carrying amounts of the Company.

The movements of allowance for distressed debt assets in the year of 2020 are as follows:

	2020			
	Stage I (12-month ECL)	Stage II (Lifetime ECL)	Stage III (Lifetime ECL-impaired)	Total
As at January 1	**5,818,128**	**2,403,302**	**3,190,972**	**11,412,402**
Convert to Stage I	**–**	**–**	**–**	**–**
Convert to Stage II	**(754,554)**	**754,554**	**–**	**–**
Convert to Stage III	**(30,335)**	**(334,484)**	**364,819**	**–**
Impairment losses recognized	**3,064,381**	**2,776,089**	**547,920**	**6,388,390**
Impairment losses reversed	**(2,380,490)**	**(205,030)**	**(373,350)**	**(2,958,870)**
Stage conversion	**–**	**2,308,500**	**1,875,986**	**4,184,486**
Write-off and transfer out	**(114,289)**	**(12,270)**	**(2,460,916)**	**(2,587,475)**
Unwinding of discount on allowance	**–**	**–**	**(58,183)**	**(58,183)**
As at December 31	**5,602,841**	**7,690,661**	**3,087,248**	**16,380,750**

(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, 2019				
Gross distressed debt assets	165,674,836	27,156,262	5,706,052	198,537,150
Less: Allowance for impairment losses	5,818,128	2,403,302	3,190,972	11,412,402
Net distressed debt assets	159,856,708	24,752,960	2,515,080	187,124,748

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 2019 are as follows:

	2019			
	Stage I (12-month ECL)	Stage II (Lifetime ECL)	Stage III (Lifetime ECL-impaired)	Total
As at January 1	6,910,134	1,811,341	4,183,277	12,904,752
Convert to Stage I	831,292	(831,292)	–	–
Convert to Stage II	(322,471)	322,471	–	–
Convert to Stage III	(75,261)	–	75,261	–
Impairment losses recognized	2,959,532	844,937	205,286	4,009,755
Impairment losses reversed	(4,020,913)	(526,918)	(82,223)	(4,630,054)
Stage conversion	(343,423)	1,491,199	2,901,110	4,048,886
Write-off and transfer out	(120,762)	(708,436)	(4,091,409)	(4,920,607)
Unwinding of discount on allowance	–	–	(330)	(330)
As at December 31	5,818,128	2,403,302	3,190,972	11,412,402

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

30. Accounts receivable

Group

	As at December 31	
	2020	2019
Accounts receivable relating to equity assets (1)	**1,156,676**	1,206,745
Accounts receivable from sales of properties	**1,002,444**	620,439
Commission and fee receivables	**380,343**	248,450
Accounts receivable relating to distressed debt assets	**226,712**	327,432
Others	**699,932**	277,171
Gross of accounts receivable	**3,466,107**	2,680,237
Less: Allowance for impairment losses	**210,697**	277,512
Net of accounts receivable	**3,255,410**	2,402,725

Company

	As at December 31	
	2020	2019
Accounts receivable relating to equity assets (1)	**473,276**	400,008
Accounts receivable relating to distressed debt assets	**199,951**	283,872
Others	**382,889**	244,382
Gross of accounts receivable	**1,056,116**	928,262
Less: Allowance for impairment losses	**250,699**	375,457
Net of accounts receivable	**805,417**	552,805

(1) As at December 31, 2020, accounts receivable relating to disposal of debt-to-equity assets amounted to RMB384.37million (As at December 31, 2019: RMB400.01million). These receivables bear interest at nil to 7.99% per annum (As at December 31, 2019: Nil to 5.87%).

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

30. Accounts receivable (continued)

The ageing analysis of accounts receivable relating to distressed debt assets and debt-to-equity swap assets is as follows:

Group

	As at December 31							
	2020				2019			
	Gross amount	%	Impairment	Carrying amount	Gross amount	%	Impairment	Carrying amount
Within 1 year (inclusive)	212,154	34	–	212,154	193,560	27	–	193,560
1 year to 2 years (inclusive)	14,558	2	–	14,558	–	–	–	–
2 years to 3 years (inclusive)	–	–	–	–	–	–	–	–
Over 3 years	400,008	64	(15,640)	384,368	533,880	73	(133,872)	400,008
Total	626,720	100	(15,640)	611,080	727,440	100	(133,872)	593,568

Company

	As at December 31							
	2020				2019			
	Gross amount	%	Impairment	Carrying amount	Gross amount	%	Impairment	Carrying amount
Within 1 year (inclusive)	199,951	33	–	199,951	150,000	22	–	150,000
1 year to 2 years (inclusive)	–	–	–	–	–	–	–	–
2 years to 3 years (inclusive)	–	–	–	–	–	–	–	–
Over 3 years	400,008	67	(15,640)	384,368	533,880	78	(133,872)	400,008
Total	599,959	100	(15,640)	584,319	683,880	100	(133,872)	550,008

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

30. Accounts receivable (continued)

The movements of allowance for impairment loss during the years are as follows:

Group

	Year ended December 31	
	2020	2019
At beginning of the year	**277,512**	1,060,332
Impairment losses recognized	**90,915**	112,146
Impairment losses reversed	**(154,845)**	(227,640)
Amounts written off and transferred out	**(2,885)**	(667,326)
At end of the year	**210,697**	277,512

Company

	Year ended December 31	
	2020	2019
At beginning of the year	**375,457**	191,450
Impairment losses recognized	**15,640**	184,007
Impairment losses reversed	**(140,398)**	–
At end of the year	**250,699**	375,457

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 2020 of the fiscal year.

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

32. Properties held for sale

Group

	As at December 31	
	2020	2019
Completed properties	**13,515,329**	13,619,506
Properties under development	**37,453,058**	46,750,573
Others	**13,993**	37,426
Subtotal	**50,982,380**	60,407,505
Less: Allowance for impairment losses	**2,089,657**	820,348
Total	**48,892,723**	59,587,157
Including:		
Pledged for borrowings	**20,628,453**	16,819,551

As at December 31, 2020 and 2019, included in the properties held for sale were amounts of RMB30,506 million and RMB27,844 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 2020 and 2019.

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

33. Investment properties

Group

	Year ended December 31	
	2020	2019
Cost		
At beginning of the year	**6,989,677**	5,145,287
Acquisition of subsidiaries	**–**	1,691,052
Additions during the year	**3,749,345**	170,758
Transfer (out)/in	**(41,220)**	14,263
Disposals	**(50,883)**	(31,683)
At end of the year	**10,646,919**	6,989,677
Accumulated depreciation		
At beginning of the year	**(1,047,588)**	(858,671)
Change for the year	**(342,652)**	(190,671)
Disposals	**18,973**	1,754
At end of the year	**(1,371,267)**	(1,047,588)
Allowance for impairment losses		
At beginning of the year	**(81,030)**	(19,103)
Change for the year	**(19,236)**	(61,927)
Written-offs during the year	**5,492**	–
At end of the year	**(94,774)**	(81,030)
Net book value		
At beginning of the year	**5,861,059**	4,267,513
At end of the year	**9,180,878**	5,861,059
Net book value of investment properties pledged for borrowings	**3,151,110**	2,850,447

(Amounts in thousands of RMB, unless otherwise stated)

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	
	2020	2019
Net book value:		
– on long-term leases (over 50 years)	**85,789**	87,652
– on medium-term leases (10 to 50 years)	**8,785,540**	5,653,969
– on short-term leases (less than 10 years)	**309,549**	119,438
Total	**9,180,878**	5,861,059

As at December 31, 2020 and 2019, the Group had no investment properties for which the Group has not obtained a certificate of land use right or certificate of property ownership.

Company

	Year ended December 31	
	2020	2019
Cost		
At beginning of the year	**448,526**	448,526
Transfers in	**–**	–
At end of the year	**448,526**	448,526
Accumulated depreciation		
At beginning of the year	**(152,563)**	(136,112)
Change for the year	**(16,451)**	(16,451)
Transfers in	**–**	–
At end of the year	**(169,014)**	(152,563)
Net book value		
At beginning of the year	**295,963**	312,414
At end of the year	**279,512**	295,963

(Amounts in thousands of RMB, unless otherwise stated)

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	
	2020	2019
Net book value:		
– on medium-term leases (10 to 50 years)	**279,512**	295,963

34. Interests in subsidiaries

Company

	As at December 31	
	2020	2019
At cost	**39,484,717**	39,484,717
Total	**39,484,717**	39,484,717

(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/ establishment	Date of incorporation/ establishment	Authorized/ paid-in capital as at December 31, 2020 (In '000)	Proportion of ownership held by the Group As at December 31 2020 %(1)	2019 %(1)	Proportion of voting rights held by the Group As at December 31 2020 %(1)	2019 %(1)	Principal activities
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**	99.33	**87.42**	99.33	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
Happy Life Insurance Co., Ltd. (2) (III)	Beijing, PRC	November 5, 2007	RMB10,130,376	**–**	51.00	**–**	51.00	Life insurance
China Jingu International Trust Co., Ltd.* (f)	Beijing, PRC	April 21, 1993	RMB2,200,000	**92.29**	92.29	**92.29**	92.29	Trust service
Cinda Financial Leasing Co., Ltd.* (f)	Lanzhou, PRC	December 28, 1996	RMB3,505,249	**99.92**	99.92	**99.92**	99.92	Financial leasing
Nanyang Commercial Bank, Limited	Hong Kong, PRC	February 2, 1948	HKD3,144,517	**100.00**	100.00	**100.00**	100.00	Commercial Bank
China Cinda (HK) Asset Management Co., Ltd.	Hong Kong, PRC	April 21, 1999	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	RMB500,000	**87.42**	99.33	**100.00**	100.00	Futures and brokerage
Xinfeng Investment Management Co., Ltd. (a)	Beijing, PRC	April 9, 2012	RMB400,000	**87.42**	99.33	**100.00**	100.00	Investment management

(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/ establishment	Date of incorporation/ establishment	Authorized/ paid-in capital as at December 31, 2020	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
			(In '000)	**2020 %(1)**	2019 %(1)	**2020 %(1)**	2019 %(1)	
Cinda Innovation Investment Co., Ltd. (a)	Beijing, PRC	August 20, 2013	RMB400,000	**87.42**	99.33	**100.00**	100.00	Investment management
First State Cinda Fund Management Co., Ltd. (b)	Shenzhen, PRC	June 5, 2006	RMB100,000	**47.20**	53.64	**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) (l) (3)	Shanghai, PRC	July 27, 1991	RMB139,144	**41.02**	40.68	**41.02**	40.68	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) (l)	Beijing, PRC	July 20, 1984	RMB2,851,879	**55.45**	55.45	**55.45**	55.45	Real estate development
Changhuai Cinda Real Estate Co., Ltd. (a)	Anhui, PRC	June 8, 2006	RMB5,136,643	**55.45**	55.45	**100.00**	100.00	Real estate development
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

(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/ establishment	Date of incorporation/ establishment	Authorized/ paid-in capital as at December 31, 2020 (In '000)	Proportion of ownership held by the Group As at December 31 2020 %(1)	2019 %(1)	Proportion of voting rights held by the Group As at December 31 2020 %(1)	2019 %(1)	Principal activities
Dalian Cinda Zhonglian Investment Co., Ltd. (f)	Dalian, PRC	March 3, 2010	RMB51,110	**55.00**	55.00	**55.00**	55.00	Project investment
Cinda International Holdings Limited (II)	Bermuda	April 19, 2000	HKD64,121	**55.07**	62.58	**63.00**	63.00	Investment holding
Beijing Cinda Shiyuxin Investment Management Co., Ltd. (a)	Beijing, PRC	May 11, 2015	RMB10,000	**55.45**	55.45	**100.00**	100.00	Asset management
Cinda Equity Investment (Tianjin) Co., Ltd. (f) (4)	Tianjin, PRC	December 29, 2011	RMB105,000	**36.71**	36.71	**36.71**	36.71	Private fund
Hefei Asia-Pacific Science and Technology Development Co., Ltd. (a)	Hefei, PRC	September 30, 1999	RMB23,000	**100.00**	100.00	**100.00**	100.00	Real estate development
Beijing Cinda Real Estate Development Co., Ltd. (a)	Beijing, PRC	September 14, 2015	RMB10,000	**55.45**	55.45	**100.00**	100.00	Real estate development
Hefei Zhonghuan Rongcheng Real Estate Co., Ltd. (f)	Anhui, PRC	June 15,2016	RMB150,000	**70.00**	70.00	**70.00**	70.00	Real estate development
Hefei Zhonghuan Yicheng Real Estate Co., Ltd. (f)	Anhui, PRC	December 23,2016	RMB100,000	**70.00**	70.00	**70.00**	70.00	Real estate development
Jade Aviation LLC	Cayman Islands	January 11, 2018	USD87,440	**80.00**	80.00	**80.00**	80.00	Aircraft leasing
China Cinda (2020) I Management Limited	BVI	November 26, 2019	USD10,000	**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.

VI. EXPLANATORY NOTES (continued)

34. Interests in subsidiaries (continued)

Company (continued)

* These subsidiaries are directly held by the Company.

(a) This entity is registered as solely invested by a corporation limited liability company under the PRC laws.

(b) This entity is registered as a Sino-foreign joint venture limited liability company under the PRC laws.

(c) This entity is registered as a mainland joint venture with a Hong Kong, Macao or Taiwan limited liability company under the PRC laws.

(d) This entity is registered as a listed joint stock limited company under the PRC laws.

(e) This entity is registered as an unlisted joint stock limited company under the PRC laws.

(f) This entity is registered as other limited liability company under the PRC laws.

(I) The shares of these subsidiaries are listed in Mainland China.

(II) The shares of these subsidiaries are listed in Hong Kong.

(III) These subsidiaries were disposed of in 2020.

(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) On November 19, 2019, the Group publicly announced the decision of its Board of Directors to sell Happy Life Insurance Co., Ltd ("Happy Life"), a wholly owned subsidiary, which represented the Group's insurance businesses. The Group decided to discontinue insurance businesses and focus on distressed asset management. In July 2020, the Company received the "CBIRC's Approval in respect of the Change of Shareholder of Happy Life Insurance Co., Ltd." (Yin Bao Jian Fu [2020] No. 442), which approved the transfer of 50.995% of the equity interests held in Happy Life by the Company to Champion Property & Casualty Insurance Co., Ltd. and Dongguan Communications Investment Group Co., Ltd. and that the amendment procedures to be performed according to the relevant provisions. From the date of approval by the CBIRC in respect of relevant matters of the transfer, the Company ceased to have any equity interests in Happy Life.

(3) 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, with the exception of two independent directors. Therefore, Shanghai Tongda is accounted for as a subsidiary of the Company.

(4) The Group's shareholding in Cinda Equity Investment (Tianjin) Co., Ltd. ("Cinda Equity") is less than 50%. According to the corporate charter, the key persons in the Investment Committee, which is the operating decision-making institution of Cinda Equity, are all from the Group. Thus, the Group can direct Cinda Equity's relevant activities, and it is therefore accounted for as a subsidiary of the Company.

(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 the subsidiaries which have significant influence on 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. Summarized financial information about Cinda Real Estate before intra-group eliminations is as follows:

Cinda Real Estate

	As at December 31	
	2020	2019
Current assets	**82,736,848**	84,703,761
Non-current assets	**11,541,800**	13,900,867
Current liabilities	**50,965,898**	52,734,792
Non-current liabilities	**19,102,149**	23,109,787
Total equity	**24,210,601**	22,760,049
Non-controlling interests of the subsidiary	**11,409,114**	10,633,217

	Year ended December 31	
	2020	2019
Total revenue	**25,863,803**	19,478,393
Profit before tax	**3,060,634**	3,620,703
Total comprehensive income	**1,744,458**	2,556,093
Profit attributable to non-controlling interests of the subsidiary during the year	**911,585**	1,272,196
Dividend distribution to non-controlling interests	**412,970**	502,776

	Year ended December 31	
	2020	2019
Net cash flow from operating activities	**7,361,074**	8,114,810
Net cash flow from investing activities	**1,837,730**	(5,570,048)
Net cash flow from financing activities	**(2,540,097)**	(7,589,064)
Net increase/(decrease) in cash and cash equivalents	**6,658,707**	(5,044,302)

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.

(Amounts in thousands of RMB, unless otherwise stated)

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 2020 (In RMB'000)	Proportion of interests held by the Group As at December 31 2020 (%)	2019 (%)	Principal activities
Ningbo Meishan Bonded Port Area Jusheng Jiada Investment Partnership (Limited Partnership)	**6,102,000**	**81.97**	86.25	Investment management
Jingu·Borui Single Capital Trust No.[95]	**4,461,000**	**100.00**	100.00	Trust
Ningbo Meishan Bonded Port Area Cinda Runze Investment Partnership (Limited Partnership)	**4,202,286**	**100.00**	100.00	Investment management
Wuhu Xinshi Heli Investment Management Partnership (Limited Partnership)	**4,059,290**	**100.00**	100.00	Investment management
Jingu·Borui Assembled Capital Trust No.[94]	**3,672,813**	**100.00**	–	Trust
Jingu·Pingmei Shenma Bailout Single Capital Trust	**2,863,649**	**100.00**	–	Trust
Ningbo Meishan Bonded Port Area Jinxin Tairun Investment Partnership (Limited Partnership)	**2,807,000**	**99.93**	99.93	Investment management
Ningbo Meishan Bonded Port Area Cinda Yingxin Investment Partnership (Limited Partnership)	**2,590,362**	**100.00**	100.00	Investment management
China Cinda – Kunlun Trust·Coal Restruction (Guanghui Energy) Single Capital Trust No.[2]	**2,500,000**	**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**	–	Trust
Jingu·Ruiyuan Single Capital Trust No.[13]	**2,000,000**	**100.00**	–	Trust
Wuhu Xinshi Xinye Investment Management Partnership (Limited Partnership)	**1,977,100**	**100.00**	100.00	Investment management
Ningbo Meishan Bonded Port Area Xinzhe Investment Partnership (Limited Partnership)	**1,681,000**	**100.00**	–	Investment management
Ningbo Xintai Kaiyuan Equity Investment Partnership (Limited Partnership)	**1,500,100**	**99.99**	99.99	Investment management
Shanghai Yuxin Equity Investment Partnership (Limited Partnership)	**1,176,875**	**99.92**	99.87	Investment management
Jingu·Huiyin Single Capital Trust No.[73]	**1,100,000**	**100.00**	100.00	Trust
Ningbo Meishan Bonded Port Area Xinji Investment Partnership (Limited Partnership)	**1,094,910**	**100.00**	100.00	Investment management
Ningbo Jingxinhuicheng Investment Partnership (Limited Partnership)	**1,001,000**	**100.00**	100.00	Investment management
Ningbo Huajian Dingsheng Equity Investment Partnership (Limited Partnership)	**1,001,000**	**99.90**	89.91	Investment management

(Amounts in thousands of RMB, unless otherwise stated)

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, 2020 and 2019, and results and cash flows for the years ended December 31, 2020 and 2019, though consolidated, are not significant and therefore not disclosed separately.

Interests in all consolidated structured entities directly held by the Company amounted to RMB49,024.53 million and RMB35,124.12 million, at December 31, 2020 and 2019, 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.57 Other liabilities.

37. Interests in associates and joint ventures

Group

	As at December 31	
	2020	2019
Interests in associates		
Carrying amount of unlisted companies	**34,894,817**	35,976,942
Carrying amount of listed companies	**21,502,033**	21,094,870
Allowance for impairment losses	**(489,721)**	(1,772,054)
Net carrying amounts of associates	**55,907,129**	55,299,758
Interests in joint ventures		
Carrying amount of unlisted companies	**14,997,347**	17,858,751
Allowance for impairment losses	**(401,816)**	(152,220)
Net carrying amounts of joint ventures	**14,595,531**	17,706,531
Net carrying amounts	**70,502,660**	73,006,289

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

37. Interests in associates and joint ventures (continued)

Company

	As at December 31	
	2020	2019
Interests in associates		
Carrying amount of unlisted companies	**28,869,959**	28,731,266
Carrying amount of listed companies	**14,170,025**	12,316,210
Allowance for impairment losses	**–**	(1,423,000)
Net carrying amounts of associates	**43,039,984**	39,624,476
Interests in joint ventures		
Carrying amount of unlisted companies	**6,149,514**	9,025,071
Allowance for impairment losses	**(152,220)**	(152,220)
Net carrying amounts of joint ventures	**5,997,294**	8,872,851
Net carrying amounts	**49,037,278**	48,497,327

(Amounts in thousands of RMB, unless otherwise stated)

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 2020 (In'000)	Book value As at December 31 2020 (In'000)	Book value As at December 31 2019 (In'000)	Proportion of equity interests held by the Group As at December 31 2020 %	Proportion of equity interests held by the Group As at December 31 2019 %	Proportion of voting power held by the Group As at December 31 2020 %	Proportion of voting power held by the Group As at December 31 2019 %	Principal activities
Shenhua Group Zhungeer Energy Co., Ltd.	Ordos, PRC	RMB7,102,343	**16,124,516**	15,609,962	**42.24**	42.24	**42.24**	42.24	Coal mining
Yancoal Australia Ltd. (1)	Australia	AUD6,482,000	**4,392,683**	5,460,841	**15.89**	15.89	**15.89**	15.89	Coal mining
Shenzhen Tencent Cinda Limited Partnership (Limited Partnership) (2)	Shenzhen, PRC	RMB11,007,330	**4,054,702**	4,052,474	**36.35**	36.35	**50.00**	50.00	Investment holding
China Nuclear Engineering Co., Ltd. (3)	Beijing, PRC	RMB2,650,465	**3,776,308**	3,697,392	**11.67**	11.78	**11.67**	11.78	Construction
Wengfu Group Co., Ltd. (4)	Guiyang, PRC	RMB4,609,091	**3,544,554**	3,319,881	**32.74**	32.74	**32.74**	32.74	Chemical materials and products
Huainan Mining (Group) Co., Ltd. (5)	Huainan, PRC	RMB18,102,549	**3,222,247**	3,106,642	**8.32**	8.32	**8.32**	8.32	Coal mining
Ordos Yihua Mining Resources Co., Ltd. (6)	Ordos, PRC	RMB1,274,087	**2,983,226**	2,860,618	**29.96**	29.96	**29.96**	29.96	Coal mining
Kailuan Energy Chemical Co., Ltd.	Tangshan, PRC	RMB1,587,800	**2,918,887**	2,790,866	**22.24**	22.24	**22.24**	22.24	Coal mining
Wuhu Xinyunhanshi Investment Partnership (Limited Partnership) (7)	Wuhu, PRC	RMB3,003,811	**2,539,194**	4,750,086	**79.89**	79.89	**33.33**	33.33	Investment holding
Xinjiang Chang Yuan Water Group Co., Ltd.	Urumqi, PRC	RMB800,000	**2,325,052**	2,556,920	**51.00**	51.00	**51.00**	51.00	Hydraulic generation
Baiyin Nonferrous Group Co., Ltd. (8)	Baiyin, PRC	RMB7,404,775	**2,261,116**	2,247,730	**5.06**	5.06	**5.06**	5.06	Mining
China Shipbuilding Industry Group Power Co., Ltd. (9)	Baoding, PRC	RMB2,160,682	**1,966,055**	–	**5.47**	–	**5.47**	–	Manufacturing
Prometeon Tyre Group S.r.l.	Milan, Italy	EUR100,000	**1,361,831**	1,847,055	**38.00**	38.00	**38.00**	38.00	Manufacturing
Xishan Coal Electricity Group Co., Ltd.	Taiyuan, PRC	RMB9,250,327	**1,625,326**	1,784,056	**41.14**	41.14	**41.14**	41.14	Coal mining
Baic Bluepark New Energy Technology Co., Ltd. (10)	Beijing, PRC	RMB3,493,659	**1,504,776**	1,843,285	**5.36**	5.36	**5.36**	5.36	Manufacturing
Ningxia Western Venture Industrial Co., Ltd. (11)	Yinchuan, PRC	RMB1,458,375	**1,208,027**	1,179,775	**15.71**	15.71	**15.71**	15.71	Transportation

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 Group has a 15.89% interest in Yancoal Australia Ltd. ("YAL"), thus the Group can exercise significant influence on the financial and operating policy decision of YAL by nominating a director to its board of directors. The Group accounts for this investment by equity method as an associate. The decrease of the book value for the year ended 31 December 2020 is mainly due to a one-off, non-cash loss incurred by YAL and the reversal of a gain recognized in the book of YAL as a result of the remeasurement of an asset from an investment in an associate. The remeasurement gain has been taken into account in the consideration paid by the Group during the investment of YAL in year 2017.

(2) 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.

(3) The Group has a 11.67% interest in China Nuclear Engineering Co., Ltd. ("CNE"), thus the Company can exercise significant influence on the financial and operating policy decision of CNE by nominating a director to its board of directors.

(4) The Company has a 32.74% interest in Wengfu Group Co., Ltd. ("Wengfu Group"), thus the Group can exercise significant influence on the financial and operating policy decision of Wengfu Group by nominating five directors to its board of directors. The Group accounts for this investment by equity method as an associate.

(5) The Company has a 8.32% interest in Huainan Mining (group) Co.,Ltd. ("Huainan Mining"), thus the Group can exercise significant influence on the financial and operating policy decision of Huainan Mining by nominating a director to its board of directors. The Group accounts for this investment by equity method as an associate.

(6) The Company has a 29.96% interest in Ordos Yihua Mining Resources Co., Ltd. ("Yihua Mining"), thus the Group can exercise significant influence on the financial and operating policy decision of Yihua Mining by nominating two directors to its board of directors. The Group accounts for this investment by equity method as an associate.

(7) The Group has a 79.89% interest in Wuhu Xinyunhanshi Investment Partnership (Limited Partnership), and has joint control on the financial and operating policy decision of the partnership with other parties under the contractual agreement. The Group accounts for this investment by equity method as a joint venture. The decrease of the book value for the year ended 31 December 2020 is mainly due to the recovery of part of investment.

(8) The Company has a 5.06% interest in Baiyin Nonferrous Group Co., Ltd. ("Baiyin Nonferrous"), thus the Company can exercise significant influence on financial and operating policy decision of Baiyin Nonferrous by nominating a director to its board of directors. The Company accounts for this investment by equity method as an associate.

(9) The Company has a 5.47% interest in China Shipbuilding Industry Group Power Co.,Ltd. ("China Shipbuilding"), thus the Company can exercise significant influence on financial and operating policy decision of China Shipbuilding by nominating a director to its board of directors. The Company accounts for this investment by equity method as an associate.

(10) The Group has a 5.36% interest in Baic Bluepark New Energy Technology Co., Ltd. ("BAICBP"), thus the Group can exercise significant influence on the financial and operating policy decision of BAICBP by nominating a director to its board of directors. The Group accounts for this investment by equity method as an associate.

(11) The Company has a 15.71% interest in Ningxia Western Venture Industrial Co.,Ltd. ("Western Venture"), thus the Company can exercise significant influence on financial and operating policy decision of Western Venture by nominating a director to its board of directors. The Company accounts for this investment by equity method as an associate.

(Amounts in thousands of RMB, unless otherwise stated)

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, 2020, 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, 2020		December 31, 2019	
	Carrying amount	**Maximum exposure to risk**	Carrying amount	Maximum exposure to risk
Financial assets at fair value through profit or loss	**130,802,146**	**130,802,146**	106,530,006	106,530,006
Financial assets at amortized cost	**18,458,563**	**18,458,563**	17,926,727	17,926,727
Interests in associates and joint ventures	**5,100,587**	**5,100,587**	7,379,050	7,379,050

In 2020, the Group obtained management fee, commission and performance fee amounting to RMB821.11 million (2019: RMB384.99 million) from unconsolidated structured entities sponsored by the Group, in which the Group held no interest as at the year end.

(Amounts in thousands of RMB, unless otherwise stated)

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, 2020	14,742,735	4,654,679	306,543	815,712	241,495	44,944	20,806,108
Acquisition of subsidiaries	–	–	–	120	272	–	392
Additions	1,836	909,874	12,605	87,546	17,419	29,687	1,058,967
Disposals of subsidiaries	–	–	–	(83)	–	–	(83)
Disposals	(579)	–	(13,976)	(77,118)	(28,021)	–	(119,694)
Construction in progress transfer in/(out)	17,802	–	5,346	4,182	–	(54,237)	(26,907)
Transfer in/(out)	164,973	–	–	–	–	–	164,973
Exchange differences	(509,962)	(205,355)	(3,429)	(5,056)	(708)	534	(723,976)
As at December 31, 2020	14,416,805	5,359,198	307,089	825,303	230,457	20,928	21,159,780
Accumulated depreciation							
As at January 1, 2020	(2,068,199)	(126,953)	(183,931)	(632,895)	(180,346)	–	(3,192,324)
Change for the year	(541,315)	(221,340)	(34,829)	(88,991)	(12,949)	–	(899,424)
Disposals of subsidiaries	–	–	–	80	–	–	80
Disposals	134	–	13,618	71,569	25,544	–	110,865
Exchange differences	30,264	13,788	2,990	3,558	562	–	51,162
As at December 31, 2020	(2,579,116)	(334,505)	(202,152)	(646,679)	(167,189)	–	(3,929,641)
Allowance for impairment losses							
As at January 1, 2020	(1,629)	–	(16)	–	(346)	(484)	(2,475)
Change for the year	(3,137)	–	–	–	–	–	(3,137)
Exchange difference	15	–	–	–	–	–	15
As at December 31, 2020	(4,751)	–	(16)	–	(346)	(484)	(5,597)
Net book value							
As at January 1, 2020	12,672,907	4,527,726	122,596	182,817	60,803	44,460	17,611,309
As at December 31, 2020	11,832,938	5,024,693	104,921	178,624	62,922	20,444	17,224,542
Including: Net book value of assets pledged as at December 31, 2020	–	2,002,789	–	–	–	–	2,002,789

(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, 2019	10,629,724	2,279,663	450,811	862,180	283,898	204,487	14,710,763
Acquisition of subsidiaries	–	–	117	11	–	–	128
Additions	3,798,998	2,619,070	31,567	52,866	19,861	62,667	6,585,029
Transfer to assets held for sale	(203,881)	–	(162,031)	(20,376)	(34,053)	–	(420,341)
Disposals of subsidiaries	(5,889)	–	(2,028)	(23,518)	(815)	–	(32,250)
Disposals	(1,815)	(290,351)	(15,670)	(28,842)	(19,740)	–	(356,418)
Construction in progress transfer in/(out)	187,525	–	2,379	959	–	(222,753)	(31,890)
Transfer in/(out)	144,915	–	–	(29,292)	(7,914)	–	107,709
Exchange differences	193,158	46,297	1,398	1,724	258	543	243,378
As at December 31, 2019	14,742,735	4,654,679	306,543	815,712	241,495	44,944	20,806,108
Accumulated depreciation							
As at January 1, 2019	(1,782,294)	(21,990)	(267,539)	(620,506)	(221,730)	–	(2,914,059)
Change for the year	(303,949)	(112,935)	(47,264)	(104,615)	(15,887)	–	(584,650)
Transfer to assets held for sale	28,159	–	117,094	18,927	30,283	–	194,463
Disposals of subsidiaries	4,513	–	1,306	18,373	772	–	24,964
Disposals	387	9,259	13,411	56,203	26,416	–	105,676
Exchange differences	(15,015)	(1,287)	(939)	(1,277)	(200)	–	(18,718)
As at December 31, 2019	(2,068,199)	(126,953)	(183,931)	(632,895)	(180,346)	–	(3,192,324)
Allowance for impairment losses							
As at January 1, 2019	(1,624)	–	(16)	–	(346)	(484)	(2,470)
Change for the year	–	(75,367)	–	–	–	–	(75,367)
Disposals	–	75,367	–	–	–	–	75,367
Exchange difference	(5)	–	–	–	–	–	(5)
As at December 31, 2019	(1,629)	–	(16)	–	(346)	(484)	(2,475)
Net book value							
As at January 1, 2019	8,845,806	2,257,673	183,256	241,674	61,822	204,003	11,794,234
As at December 31, 2019	12,672,907	4,527,726	122,596	182,817	60,803	44,460	17,611,309
Including:							
Net book value of assets pledged as at December 31, 2019	198,741	551,165	–	–	–	–	749,906

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

39. Property and equipment (continued)

Group (continued)

As at December 31, 2020 and 2019, the original cost of the fully depreciated property and equipment that were still in use amounted to RMB627.42 million and RMB563.50 million, respectively.

As at December 31, 2020 and 2019, the Group's property and equipment for which the Group has not obtained a certificate of property ownership amounted to RMB530.66 million and RMB583.44 million, respectively.

The net book value of buildings located on land with the following remaining lease terms are as follows:

	As at December 31	
	2020	2019
Net book value:		
– on long-term leases (over 50 years)	**2,969,476**	3,271,516
– on medium-term leases (10 to 50 years)	**8,713,773**	9,233,755
– on short-term leases (less than 10 years)	**149,689**	167,636
Total	**11,832,938**	12,672,907

(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	Total
Cost					
As at January 1, 2020	1,057,609	104,665	323,565	99,961	1,585,800
Additions	–	25	44,400	7,515	51,940
Disposals	–	–	(27,290)	(8,031)	(35,321)
As at December 31, 2020	1,057,609	104,690	340,675	99,445	1,602,419
Accumulated depreciation					
As at January 1, 2020	(115,637)	(53,797)	(224,890)	(77,683)	(472,007)
Change for the year	(34,867)	(7,227)	(48,966)	(4,819)	(95,879)
Disposals	–	–	26,031	7,639	33,670
As at December 31, 2020	(150,504)	(61,024)	(247,825)	(74,863)	(534,216)
Net book value					
As at January 1, 2020	941,972	50,868	98,675	22,278	1,113,793
As at December 31, 2020	907,105	43,666	92,850	24,582	1,068,203

(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	Total
Cost					
As at January 1, 2019	1,057,609	104,463	326,626	99,737	1,588,435
Additions	–	202	26,231	8,138	34,571
Disposals	–	–	(29,292)	(7,914)	(37,206)
As at December 31, 2019	1,057,609	104,665	323,565	99,961	1,585,800
Accumulated depreciation					
As at January 1, 2019	(80,770)	(46,590)	(196,788)	(80,357)	(404,505)
Change for the year	(34,867)	(7,207)	(56,456)	(4,939)	(103,469)
Disposals	–	–	28,354	7,613	35,967
As at December 31, 2019	(115,637)	(53,797)	(224,890)	(77,683)	(472,007)
Net book value					
As at January 1, 2019	976,839	57,873	129,838	19,380	1,183,930
As at December 31, 2019	941,972	50,868	98,675	22,278	1,113,793

As at December 31, 2020 and 2019, the original cost of the fully depreciated property and equipment that were still in use amounted to RMB243.71 million and RMB230.58 million, respectively.

(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	
	2020	2019
Net book value:		
– on medium-term leases (10 to 50 years)	**907,105**	941,972

40. Goodwill

Group

	As at December 31	
	2020	2019
Carrying amount		
At beginning of the year	**24,683,406**	24,169,379
Disposal of subsidiaries	**(310)**	(98,905)
Acquisition of subsidiaries	**–**	106,324
Exchange differences	**(1,401,470)**	506,608
At end of the year	**23,281,626**	24,683,406
Allowance for impairment losses		
At beginning of the year	**(1,134,844)**	(1,130,562)
Disposal of subsidiaries	**310**	–
Change for the year	**(103,534)**	(4,282)
At end of the year	**(1,238,068)**	(1,134,844)
Net book value		
At beginning of the year	**23,548,562**	23,038,817
At end of the year	**22,043,558**	23,548,562

VI. EXPLANATORY NOTES (continued)

40. Goodwill (continued)

Group (continued)

The goodwill acquired through the business combination of NCB, which was accounted for as the majority portion of the Group's goodwill as of December 31, 2020, 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 is fixed at 3%, 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 10.14% (Hong Kong) and 12.10% (Mainland China), respectively.

The Group management believes that there are no impairment indications of the goodwill acquired through the business combination of NCB and the key assumptions used to calculate the present value of future cash flow on NCB cash-generating units may change. Management holds that any reasonable fluctuation of key assumptions will not lead to a lower recoverable amount of the NCB cash-generating units compared with the book value of 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 information.

(Amounts in thousands of RMB, unless otherwise stated)

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, 2020	23,820	819,228	618,929	3,777,479	8,170	5,247,626
Disposals of subsidiaries	–	(85)	–	–	–	(85)
Additions	–	133,207	–	–	–	133,207
Disposals	–	(10,076)	–	–	–	(10,076)
Exchange differences	(71)	(7,583)	(37,407)	(228,308)	(494)	(273,863)
As at December 31, 2020	23,749	934,691	581,522	3,549,171	7,676	5,096,809
Accumulated amortization						
As at January 1, 2020	–	(366,084)	–	(676,798)	(2,889)	(1,045,771)
Change for the year	–	(124,609)	–	(187,390)	(800)	(312,799)
Disposals of subsidiaries	–	53	–	–	–	53
Disposals	–	10,030	–	–	–	10,030
Exchange differences	–	2,009	–	50,836	217	53,062
As at December 31, 2020	–	(478,601)	–	(813,352)	(3,472)	(1,295,425)
Net book value						
As at January 1, 2020	23,820	453,144	618,929	3,100,681	5,281	4,201,855
As at December 31, 2020	23,749	456,090	581,522	2,735,819	4,204	3,801,384

(Amounts in thousands of RMB, unless otherwise stated)

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, 2019	23,794	785,622	605,400	3,694,911	7,991	5,117,718
Increase resulting from subsidiaries purchased	–	21	–	–	–	21
Transfer to assets held for sale	–	(173,384)	–	–	–	(173,384)
Additions	–	205,529	–	–	–	205,529
Disposals	(5)	(1,751)	–	–	–	(1,756)
Exchange differences	31	3,417	13,529	82,568	179	99,724
Others	–	(226)	–	–	–	(226)
As at December 31, 2019	23,820	819,228	618,929	3,777,479	8,170	5,247,626
Accumulated amortization						
As at January 1, 2019	–	(395,704)	–	(477,259)	(2,037)	(875,000)
Transfer to assets held for sale	–	130,760	–	–	–	130,760
Change for the year	–	(102,362)	–	(185,552)	(792)	(288,706)
Disposals	–	1,707	–	–	–	1,707
Exchange differences	–	(485)	–	(13,987)	(60)	(14,532)
As at December 31, 2019	–	(366,084)	–	(676,798)	(2,889)	(1,045,771)
Net book value						
As at January 1, 2019	23,794	389,918	605,400	3,217,652	5,954	4,242,718
As at December 31, 2019	23,820	453,144	618,929	3,100,681	5,281	4,201,855

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

41. Other intangible assets (continued)

Company

	Computer software systems and others	Total
Cost		
As at January 1, 2020	**105,206**	**105,206**
Additions	**14,624**	**14,624**
As at December 31, 2020	**119,830**	**119,830**
Accumulated amortization		
As at January 1, 2020	**(79,873)**	**(79,873)**
Change for the year	**(15,959)**	**(15,959)**
As at December 31, 2020	**(95,832)**	**(95,832)**
Net book value		
As at January 1, 2020	**25,332**	**25,332**
As at December 31, 2020	**23,998**	**23,998**

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

41. Other intangible assets (continued)

Company (continued)

	Computer software systems and others	Total
Cost		
As at January 1, 2019	96,068	96,068
Additions	9,575	9,575
Disposals	(437)	(437)
As at December 31, 2019	105,206	105,206
Accumulated amortization		
As at January 1, 2019	(64,050)	(64,050)
Change for the year	(16,260)	(16,260)
Disposals	437	437
As at December 31, 2019	(79,873)	(79,873)
Net book value		
As at January 1, 2019	32,018	32,018
As at December 31, 2019	25,332	25,332

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

42. Deferred taxation

For the purpose of presentation of the consolidated statement of financial position, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances:

Group

	As at December 31	
	2020	2019
Deferred tax assets		
– Continuing operations	**8,989,874**	6,756,583
– Discontinued operation	**–**	1,279,149
Deferred tax liabilities		
– Continuing operations	**(2,412,778)**	(2,299,671)
– Discontinued operation	**–**	(68,710)
Deferred taxation	**6,577,096**	5,667,351

(Amounts in thousands of RMB, unless otherwise stated)

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 land appreciation tax	Asset revaluation	Fair value adjustments in business combination	Staff costs accrued but not paid	Interest capitalized on properties held for sale	Tax losses	Provisions	Changes in fair value of financial assets at FVTPL	Temporary differences related to the cost of associates and joint ventures (i)	Changes in fair value and impairment losses on financial assets at FVOCI	Unrealized loss due to income rights transfer	Discontinued operation	Others	Total
As at January 1, 2020	6,702,675	388,147	(953,580)	(980,723)	1,134,472	644,986	474,584	96,785	264,196	(4,346,589)	(26,137)	762,684	1,210,439	295,412	5,667,351
Credit/(charge) to profit or loss	1,353,418	149,339	(18,963)	34,061	2,731	58,032	(204,183)	5,734	1,461,920	(439,383)	105	(73,667)	(1,220,498)	(498,834)	609,812
Charge to other comprehensive income/(expense)	-	-	-	-	3,185	-	-	-	-	(68,836)	224,213	-	20,391	-	178,953
Discontinued operation	-	-	-	-	-	-	-	-	-	-	-	-	(10,332)	-	(10,332)
Others	(12,611)	-	48,490	36,179	(1,351)	-	-	(179)	61,187	(42,421)	4,598	-	-	37,420	131,312
As at December 31, 2020	8,043,482	537,486	(924,053)	(910,483)	1,139,037	703,018	270,401	102,340	1,787,303	(4,897,229)	202,779	689,017	-	(166,002)	6,577,096

(Amounts in thousands of RMB, unless otherwise stated)

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 land appreciation tax	Asset revaluation	Fair value adjustments in business combination	Staff costs accrued but not paid	Interest capitalized on properties held for sale	Tax losses	Provisions	Changes in fair value of financial assets at FVTPL	Temporary differences related to the cost of associates and joint ventures (i)	Changes in fair value and impairment losses on financial assets at FVOCI	Unrealized loss due to income rights transfer	Discontinued operation	Others	Total
As at January 1, 2019	5,498,527	358,526	(970,847)	(982,569)	1,019,293	495,521	380,871	203,205	1,736,051	(4,267,615)	176,930	–	–	124,871	3,772,764
Credit/(charge) to profit or loss	1,200,581	29,621	35,331	31,075	112,477	149,465	139,540	(106,472)	(1,469,354)	(419,669)	(4)	762,684	1,227,175	172,125	1,864,575
Charge to other comprehensive income/(expense)	–	–	–	–	2,289	–	–	–	–	(42,764)	(248,530)	–	(22,822)	–	(311,827)
Acquisitions of subsidiaries	–	–	–	(15,417)	–	–	–	–	–	–	–	–	–	–	(15,417)
Discontinued operation	–	–	–	–	–	–	(51,974)	–	–	–	45,888	–	6,086	–	–
Others	3,567	–	(18,064)	(13,812)	413	–	6,147	52	(2,501)	383,459	(421)	–	–	(1,584)	357,256
As at December 31, 2019	6,702,675	388,147	(953,580)	(980,723)	1,134,472	644,986	474,584	96,785	264,196	(4,346,589)	(26,137)	762,684	1,210,439	295,412	5,667,351

(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.

(Amounts in thousands of RMB, unless otherwise stated)

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	
	2020	2019
Unused tax losses	**2,225,904**	11,637,614
Deductible temporary differences	**3,398,922**	2,928,241
	5,624,826	14,565,855

As at December 31, 2020, the above unused tax loses would expire from 2021 to 2025 (As at December 31, 2019: from 2020 to 2024).

Company

	As at December 31	
	2020	2019
Deferred tax assets	**4,798,106**	2,722,196
Deferred tax liabilities	**–**	–
Deferred taxation	**4,798,106**	2,722,196

(Amounts in thousands of RMB, unless otherwise stated)

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, 2020	4,821,257	689,217	58,029	499,796	83,456	(4,301,986)	762,684	109,743	2,722,196
Credit/(charge) to profit or loss	978,044	(95,588)	(190)	1,512,650	105	(439,385)	(73,667)	118,000	1,999,969
Charge to other comprehensive income	–	–	–	–	187,195	(68,835)	–	–	118,360
Charge to capital reserve	–	–	–	–	–	(42,419)	–	–	(42,419)
As at December 31, 2020	5,799,301	593,629	57,839	2,012,446	270,756	(4,852,625)	689,017	227,743	4,798,106
As at January 1, 2019	3,726,885	664,190	146,343	1,827,681	288,584	(4,222,439)	–	(14,410)	2,416,834
Credit/(charge) to profit or loss	1,094,372	25,027	(88,314)	(1,327,885)	(4)	(420,242)	762,684	124,153	169,791
Charge to other comprehensive income	–	–	–	–	(205,124)	(42,764)	–	–	(247,888)
Charge to capital reserve	–	–	–	–	–	383,459	–	–	383,459
As at December 31, 2019	4,821,257	689,217	58,029	499,796	83,456	(4,301,986)	762,684	109,743	2,722,196

(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.

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

43. Other assets

Group

	As at December 31	
	2020	2019
Assets in satisfaction of debts (1)	**9,915,677**	6,309,257
Other receivables (2)	**6,962,884**	11,625,262
Prepayments	**5,207,409**	4,127,253
Notes receivable	**1,352,198**	302,260
Prepaid taxes	**1,350,602**	2,207,861
Dividends receivable	**1,313,729**	1,545,985
Right-of-use assets	**1,084,271**	1,306,740
Precious metals	**329,657**	225,035
Interest receivable	**240,716**	484,201
Long-term prepaid expenses	**212,469**	192,749
Assets with continuing involvement (Note VI.68)	**142,470**	237,392
Others	**319,889**	296,859
Total	**28,431,971**	28,860,854

Company

	As at December 31	
	2020	2019
Assets in satisfaction of debts (1)	**8,896,648**	6,032,563
Prepayments	**4,314,139**	1,705,015
Dividends receivable	**2,354,428**	2,602,758
Notes receivable	**1,238,570**	174,762
Right-of-use assets	**720,891**	847,633
Other receivables (2)	**463,271**	798,839
Assets with continuing involvement (Note VI.68)	**142,470**	237,392
Long-term prepaid expenses	**32,427**	18,143
Interest receivable	**–**	178,448
Others	**183**	1,235
Total	**18,163,027**	12,596,788

(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	
	2020	2019
Buildings	**9,801,310**	5,997,845
Land use rights	**494,885**	314,022
Others	**523,806**	345,696
Subtotal	**10,820,001**	6,657,563
Less: Allowance for impairment losses	**904,324**	348,306
Net book value	**9,915,677**	6,309,257

Company

	As at December 31	
	2020	2019
Buildings	**8,791,247**	5,829,873
Land use rights	**494,885**	314,022
Others	**434,383**	213,547
Subtotal	**9,720,515**	6,357,442
Less: Allowance for impairment losses	**823,867**	324,879
Net book value	**8,896,648**	6,032,563

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

43. Other assets (continued)

(2) Other receivables

Group

	As at December 31	
	2020	2019
Other receivables	**7,940,713**	12,635,049
Less: Allowance for impairment losses	**977,829**	1,009,787
Net book value	**6,962,884**	11,625,262

Company

	As at December 31	
	2020	2019
Other receivables	**752,562**	2,186,104
Less: Allowance for impairment losses	**289,291**	1,387,265
Net book value	**463,271**	798,839

Other receivables mainly include guarantee deposits and accounts receivable relating to assets disposal within one year.

As at December 31, 2020, the carrying amount of other receivables was RMB7,940.71 million, in which the allowance for impairment losses was RMB977.83 million. The principal in Stage III amounted to RMB1,764.52 million, with the allowance for impairment losses amounting to RMB951.86 million.

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

44. Borrowings from central bank

Group

	As at December 31	
	2020	2019
Borrowings from central bank	**986,058**	1,010,860

Company

	As at December 31	
	2020	2019
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 and the rediscount of the central bank.

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

45. Accounts payable to brokerage clients

Group

	As at December 31	
	2020	2019
Personal customers	**13,806,696**	11,933,196
Corporate customers	**2,777,151**	2,387,148
Total	**16,583,847**	14,320,344

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 RMB13,308.63 million at December 31, 2020 (As at December 31, 2019: RMB11,232.95 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, 2020 and 2019, included in the Group's accounts payable to brokerage clients were cash collateral of approximately RMB1,354.95 million and RMB1,310.40 million received from clients for margin financing and securities lending arrangement, respectively.

As at December 31, 2020 and 2019, the Company had no accounts payable to brokerage clients.

(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	
	2020	2019
Derivative financial liabilities (Note VI.25.(1))	**1,616,565**	542,857
Short positions in exchange fund bills and notes	**5,597,737**	4,522,399
Financing payables linked to stock index	**62,607**	–
Total	**7,276,909**	5,065,256

Company

	As at December 31	
	2020	2019
Income guarantee and repurchase commitment	**204,201**	717,977
Total	**204,201**	717,977

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

47. Financial assets sold under repurchase agreements

Group

	As at December 31	
	2020	2019
By collateral type:		
Debt securities	**15,981,904**	18,978,707
Loans to margin clients	**–**	500,000
Subtotal	**15,981,904**	19,478,707
Interest payable	**8,774**	16,883
Total	**15,990,678**	19,495,590

The Company had no financial assets sold under repurchase agreements as at December 31, 2020 and 2019.

48. Placements from banks and financial institutions

Group

	As at December 31	
	2020	2019
Placements from banks	**13,367,506**	13,820,783
Placements from financial institutions	**664,494**	244,167
Subtotal	**14,032,000**	14,064,950
Interest payable	**12,334**	19,869
Total	**14,044,334**	14,084,819

The Company had no placements from banks and financial institutions as at December 31, 2020 and 2019.

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

49. Borrowings

Group

	As at December 31	
	2020	2019
Banks and other financial institutions borrowings		
Unsecured loans	**522,480,108**	503,932,122
Loans secured by properties	**10,719,652**	8,251,987
Other secured loans	**20,685,552**	21,401,193
Subtotal	**553,885,312**	533,585,302
Interest payable	**3,026,836**	3,006,002
Total	**556,912,148**	536,591,304

Loans secured by properties were collateralized by investment properties, properties held for sale, property and equipment at an aggregate carrying amount of RMB26,082 million as at December 31, 2020 (As at December 31, 2019: RMB20,255 million).

Other secured loans were collateralized by deposits with banks and financial institutions, interests in associates and joint ventures, and finance lease receivables at an aggregate carrying amount of RMB4,889 million as at December 31, 2020 (As at December 31, 2019: RMB5,790 million).

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

49. Borrowings (continued)

Group (continued)

	As at December 31	
	2020	2019
Carrying amount repayable*:		
Within one year	**445,128,086**	412,328,796
More than one year, but not exceeding two years	**61,793,969**	65,190,249
More than two years, but not exceeding five years	**11,106,040**	18,430,123
More than five years	**2,758,071**	2,066,369
Interest payable	**2,856,334**	2,816,603
Subtotal	**523,642,500**	500,832,140
Carrying amount of borrowings that contain a repayment on demand clause repayable*:		
Within one year	**14,931,329**	546,067
More than one year, but not exceeding two years	**–**	15,718,741
More than two years, but not exceeding five years	**1,631,794**	1,734,099
More than five years	**16,536,023**	17,570,858
Interest payable	**170,502**	189,399
Subtotal	**33,269,648**	35,759,164
Total	**556,912,148**	536,591,304

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

(Amounts in thousands of RMB, unless otherwise stated)

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	
	2020	2019
Fixed-rate borrowings:		
Within one year	**421,341,434**	409,227,151
More than one year, but not exceeding two years	**58,253,600**	77,704,796
More than two years, but not exceeding five years	**9,556,430**	15,884,855
More than five years	**18,013,472**	18,730,624
Subtotal	**507,164,936**	521,547,426
Interest payable	**2,865,535**	2,968,355
Total	**510,030,471**	524,515,781

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

49. Borrowings (continued)

Group (continued)

In addition, the Group has variable-rate borrowings which carry interest based on borrowing or deposit benchmark interest rate of PBOC, Hong Kong Inter-bank Offered Rate ("HIBOR"), London Inter-bank Offered Rate ("LIBOR") or the Loan Prime Rate ("LPR").

The ranges of effective interest rates (which are also equal to contractual interest rates) on the Group's borrowings are as follows:

	As at December 31	
	2020	2019
Effective interest rate		
Fixed-rate borrowings	**1.20%-23.00%**	2.64%-23.00%
Variable-rate borrowings	**0.36%-6.65%**	2.48%-7.83%

Company

	As at December 31	
	2020	2019
Bank borrowings		
Unsecured loans	**441,860,000**	423,679,000
Interest payable	**2,108,344**	2,407,925
Total	**443,968,344**	426,086,925

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	
	2020	2019
Effective interest rate		
Fixed-rate borrowings	**2.00%-6.45%**	3.20%-6.45%
Variable-rate borrowings	**–**	–

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

50. Due to customers

Group

	As at December 31	
	2020	2019
Demand deposits		
Corporate	**55,155,266**	47,822,264
Personal	**48,794,211**	38,903,720
Time deposits		
Corporate	**82,949,416**	86,160,226
Personal	**72,746,366**	90,288,769
Guarantee deposits	**12,759,611**	10,363,607
Subtotal	**272,404,870**	273,538,586
Interest payable	**1,239,304**	1,667,180
Total	**273,644,174**	275,205,766

The Company had no due to customers at the end of 2020 and 2019.

51. Deposits from banks and financial institutions

Group

	As at December 31	
	2020	2019
Banks	**2,111,840**	1,403,302
Other financial institutions	**13,306,772**	12,625,758
Subtotal	**15,418,612**	14,029,060
Interest payable	**123,572**	128,068
Total	**15,542,184**	14,157,128

The Company had no deposits from banks and financial institutions at the end of 2020 and 2019.

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

52. Accounts payable

Group

	As at December 31	
	2020	2019
Accounts payable associated with real estate business (1)	**4,259,205**	4,539,013
Asset purchase payable	**1,000**	2,175
Others	**626,488**	509,609
Total	**4,886,693**	5,050,797

Company

	As at December 31	
	2020	2019
Asset purchase payable	**1,000**	–
Total	**1,000**	–

(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.

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

53. Tax payable

Group

	As at December 31	
	2020	2019
PRC Enterprise Income Tax	**2,108,171**	1,604,228
PRC Land Appreciation Tax	**2,496,584**	2,227,867
Hong Kong Profits Tax	**147,068**	499,684
Total	**4,751,823**	4,331,779

Company

	As at December 31	
	2020	2019
PRC Enterprise Income Tax	**778,176**	38,503
Total	**778,176**	38,503

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

54. Bonds issued

Group

		As at December 31, 2020					As at December 31, 2019
Bonds Type	Notes	**Face Value**	**Currency**	**Term**	**Bond Rate/ Expected Return Rate**	**Book Value**	Book Value
Financial Bonds		108,500,000	CNY	3-10 years	2.85%-5.50%	111,834,030	93,851,320
Asset-backed Securities		103,598,269	CNY	4 months-18 years	2.05%-7.00%	102,944,587	70,141,886
USD Guaranteed Senior Notes	(1)	11,445,000	USD	3-30 years	2.00%-5.625%	75,062,023	77,528,870
Corporate Bonds	(2)(3)(4)	22,017,909	CNY	3-8 years	3.18%-5.50%	22,571,051	24,867,566
Tier-II Capital Bonds	(5)	18,000,000	CNY	5 years	3.70%-4.50%	18,216,741	10,189,368
Mid-term Notes	(6)	8,040,000	CNY	3-5 years	2.99%-5.00%	8,132,321	5,076,287
Subordinate Notes	(7)	700,000	USD	10 years	3.80%	4,558,650	4,871,598
Beneficiary Certificates		4,050,950	CNY	1 month-2 years	2.70%-4.60%	4,099,790	1,224,258
Debt Financing Plans		2,984,000	CNY	2-3 years	3.90%-6.20%	2,993,370	2,988,500
Subordinate Bonds	(8)	2,600,000	CNY	3 years	4.55%-4.64%	2,681,478	8,930,695
Certificates of Deposit		178,000	USD	9 months-1 year	0.84%-1.32%	1,158,950	–
Asset-backed Notes		810,000	CNY	6 months-9 years	5.20%-5.50%	834,197	909,218
Certificates of Deposit		650,000	CNY	3 months-6 months	3.14%-3.15%	646,028	2,218,890
HKD Bonds	(9)	52,000	HKD	5-9 years	4.00%	44,314	47,164
Debt Financing Instruments		N/A	N/A	N/A	N/A	–	2,003,946
Total						355,777,530	304,849,566

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

54. Bonds issued (continued)

Company

Bonds Type	Notes	Face Value	Currency	Term	Bond Rate/ Expected Return Rate	Book Value	Book Value
		As at December 31, 2020					As at December 31, 2019
Financial Bonds		89,000,000	CNY	3-10 years	2.85%-5.50%	91,659,417	82,354,245
Asset-backed Securities		90,878,000	CNY	4 months-10 years	2.05%-5.50%	90,020,210	62,384,096
Tier-II Capital Bonds	(5)	18,000,000	CNY	5 years	3.70%-4.50%	18,194,698	10,178,475
Total						199,874,325	154,916,816

(1) China Cinda Financial Co., Ltd., a subsidiary of China Cinda (Hong Kong) Holdings Limited ("Cinda Hong Kong"), issued a total face value of USD3,045 million of Guaranteed Senior Notes (the "USD Notes") in Hong Kong in May 2014, December 2017 and February 2019, the notes have fixed coupon rates, payable semiannually. 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 issuer and investors chose to adjust the coupon rate and part of the resale respectively in December 2020.The bonds have fixed coupon rates, payable annually, with the subsidiary's option to adjust the coupon rate and the investor's option to sell back at the end of the fifth year. Cinda Investment issued corporate bonds with a total face value of RMB11,375 million in August 2016, May 2019 and August 2019. The bonds have fixed coupon rates, payable annually, with the subsidiary's option to adjust the coupon rate and the investor's option to sell back at the end of the third year. The issuer and investors chose to adjust the coupon rate and part of the resale respectively in August 2019.

(3) Cinda Real Estate Co., Ltd. ("Cinda Real Estate"), a subsidiary of Cinda Investment, issued corporate bonds with a face value of RMB2,500 million and RMB500 million in March 2016, with fixed interest rates, and interest paid annually. The subsidiary shall be entitled to adjust the coupon rates, and the investors shall be entitled to sell back the relevant corporate bonds to the subsidiary at the end of the third year.The issuer and investors chose to adjust the coupon rate and part of the resale respectively in March 2019. Cinda Real Estate issued corporate bonds with a face value of RMB2,700 million and RMB700 million in May 2019 and July 2019, respectively. The bonds have fixed interest rate, payable annually, with the subsidiary's option to adjust the coupon rate and the investor's option to sell back at the end of the second year.

VI. EXPLANATORY NOTES (continued)

54. Bonds issued (continued)

(4) Well Kent International Enterprises (Shenzhen) Co., Ltd., a subsidiary of Cinda Hong Kong, issued a corporate bond with a face value of RMB600 million in April 2016. The bond has fixed coupon rates, payable annually. And the subsidiary shall be entitled to adjust the coupon rate, and the investors shall be entitled to sell back the relevant corporate bonds to the subsidiary, at the end of the third year. The issuer and investors chose to adjust the coupon rate and part of the resale respectively in April 2019. Well Kent International Enterprises (Shenzhen) Co., Ltd. Issued a corporate bond with a face value of RMB800 million in April 2016. The bond has fixed coupon rate, payable annually, with the subsidiary's option to adjust the coupon rate and the investor's option to sell back at the end of the second year. The issuer and investors chose to adjust the coupon rate and part of the resale respectively in April 2018. Well Kent International Enterprises (Shenzhen) Co., Ltd. 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 subsidiary's option to adjust the coupon rate and the investor's option to sell back at the end of the third year.

(5) The tier-II capital bonds issued by the Company have a fixed coupon rate, payable annually and conditionally redeemable at the end of the fifth year. The Company has the right to early redeem the bond at par value in full subject to the approval of the China Banking and Insurance Regulatory Commission.

(6) The Company's subsidiary Cinda Investment issued a medium-term note with a face value of RMB2,000 million in April 2020, with fixed interest rate, and interest paid annually. The subsidiary shall be entitled to adjust the coupon rates, and the investors shall be entitled to sell back the relevant corporate bonds to the subsidiary, at the end of the third year.

(7) The subordinate notes issued by Nanyang Commercial Bank, Limited, a subsidiary of Cinda Hong Kong, have fixed coupon rates, payable semiannually. The coupon rates will be reset at the end of the fifth year.

(8) The subordinate bonds issued by Cinda Securities Co., Ltd. ("Cinda Securities"), a subsidiary of the Company, have fixed coupon rates, payable annually.

(9) Cinda International holding limited, a subsidiary of Cinda Securities, issued a total of 42 million Hong Kong dollar bonds in Hong Kong in 2014, with fixed interest rates, payable annually. The subsidiary and investor shall be entitled to extend the maturity date at the end of the fifth year. In July and September 2019, the investors extend the bond maturity date by 24 months through exercising the extension option. Cinda International holding limited issued Hong Kong dollar bonds with a face value of HKD10 million in September 2013 and March 2016, with fixed interest rates, payable annually. At the end of the third year and the end of the fourth year after the issuance of the bond, the issuer has the right to redeem the bond in full or in part in advance; at the same time, the issuer and investors have the option to defer at the end of the fifth year. In September 2018, the investors extend the bond maturity date by 24 months through exercising the extension option. In September 2020, the investors extend the bond maturity date by 24 months through exercising the extension option.

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

55. Contract liabilities

Group

	As at December 31	
	2020	2019
Sales proceeds received in advance (1)	**14,725,445**	22,994,982
Others	**130,282**	1,092,054
Total	**14,855,727**	24,087,036

(1) Sales proceeds received in advance

	2020	2019
At beginning of the year	**22,994,982**	23,486,561
Deferred during the year	**15,415,430**	17,699,437
Recognized as revenue during the year	**(23,684,967)**	(18,191,016)
At end of the year	**14,725,445**	22,994,982

As at December 31, 2020, 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.

56. Assets and liabilities held for sale

Group and Company

As at December 13, 2019, the company had signed a sale agreement of shares with Champion Property & Casualty Insurance Co., Ltd. and Dongguan Communications Investment Group Co., Ltd. in relation to the proposed sale of 50.995% of the issued shares of Happy Life. The Group classified all the assets and liabilities of Happy Life, Ltd. as assets and liabilities held for sale. The carrying amounts of assets and liabilities were RMB61,394.18 million and RMB57,924.14 million accordingly. The Company classified all the investment of Happy Life valued RMB7,449.68 million, as assets held for sale. This transaction was completed in July 2020.

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

57. Other liabilities

Group

	As at December 31	
	2020	2019
Other payables	**16,010,287**	14,487,437
Staff costs payable (1)	**6,993,165**	6,548,895
Risk deposit	**4,330,358**	4,405,749
Payables to interest holders of consolidated structured entities (Note VI.36)	**2,086,380**	3,862,357
Sundry taxes payable	**1,604,526**	975,741
Items in the process of clearance and settlement	**1,483,509**	9,387,282
Long-term payable	**1,248,218**	1,333,437
Lease liabilities	**1,040,216**	1,236,872
Receipts in advance associated with disposal of distressed assets	**1,039,991**	1,340,962
Notes payable	**911,332**	767
Provisions (2)	**791,150**	921,133
Deferred income related to leasing business	**560,282**	770,527
Receipts in advance	**527,491**	359,030
Others	**749,440**	715,302
Total	**39,376,345**	46,345,491

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

57. Other liabilities (continued)

Group (continued)

(1) Staff costs payable

	2020			
	As at January 1	Increase in the current year	Decrease in the current year	As at December 31
Wages or salaries, bonuses, allowances and subsidies	**5,874,285**	**5,324,079**	**(5,069,326)**	**6,129,038**
Social insurance	**76,996**	**269,974**	**(265,787)**	**81,183**
Defined contribution plans	**67,719**	**381,919**	**(290,200)**	**159,438**
Defined benefit plans (i)	**117,643**	**23,667**	**(11,563)**	**129,747**
Housing funds	**2,611**	**232,542**	**(232,095)**	**3,058**
Labor union fees and staff education expenses	**328,845**	**132,437**	**(87,931)**	**373,351**
Others	**80,796**	**352,545**	**(315,991)**	**117,350**
Total	**6,548,895**	**6,717,163**	**(6,272,893)**	**6,993,165**

	2019			
	As at January 1	Increase in the current year	Decrease in the current year	As at December 31
Wages or salaries, bonuses, allowances and subsidies	5,669,814	5,245,747	(5,041,276)	5,874,285
Social insurance	40,373	319,832	(283,209)	76,996
Defined contribution plans	33,578	564,178	(530,037)	67,719
Defined benefit plans (i)	99,799	18,480	(636)	117,643
Housing funds	6,193	232,108	(235,690)	2,611
Labor union fees and staff education expenses	326,355	149,286	(146,796)	328,845
Others	92,033	390,863	(402,100)	80,796
Total	6,268,145	6,920,494	(6,639,744)	6,548,895

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

57. 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:

	2020	2019
At beginning of the year	**117,643**	99,799
Current service cost	**2,684**	2,235
Past service cost – plan changes	**(391)**	106
Interest cost	**2,071**	2,270
Actuarial gains on remeasurement	**19,303**	13,869
Benefit paid	**(3,377)**	(3,142)
Exchange differences	**(8,186)**	2,506
At end of the year	**129,747**	117,643

Principal actuarial assumptions used are as follows:

	As at December 31	
	2020	2019
Discount rate	**1.3%**	1.8%
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 2019**	Hong Kong Life Tables 2018

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

57. Other liabilities (continued)

Group (continued)

(2) Movements of provisions

	2020	2019
At beginning of the year	**921,133**	1,107,868
Provided for the year	**446,876**	615,215
Settled/Reversed	**(576,859)**	(801,950)
At end of the year	**791,150**	921,133

Company

	As at December 31	
	2020	2019
Other payables	**4,106,999**	4,061,205
Staff costs payable (1)	**2,963,446**	3,256,625
Receipts in advance associated with disposal of distressed assets	**1,039,991**	1,340,962
Lease liabilities	**703,528**	821,264
Sundry taxes payable	**322,761**	280,718
Provisions (2)	**263,568**	316,908
Others	**87,148**	84,633
Total	**9,487,441**	10,162,315

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

57. Other liabilities (continued)

Company (continued)

(1) Staff costs payable

	2020			
	As at January 1	Increase in the current year	Decrease in the current year	As at December 31
Wages or salaries, bonuses, allowances and subsidies	**3,052,387**	**1,162,095**	**(1,463,769)**	**2,750,713**
Social insurance	**56,790**	**101,968**	**(118,627)**	**40,131**
Defined contribution plans	**3,434**	**159,518**	**(158,138)**	**4,814**
Housing funds	**321**	**73,330**	**(73,504)**	**147**
Labor union fees and staff education expenses	**143,661**	**41,337**	**(28,513)**	**156,485**
Others	**32**	**80,909**	**(69,785)**	**11,156**
Total	**3,256,625**	**1,619,157**	**(1,912,336)**	**2,963,446**

	2019			
	As at January 1	Increase in the current year	Decrease in the current year	As at December 31
Wages or salaries, bonuses, allowances and subsidies	2,977,342	1,376,552	(1,301,507)	3,052,387
Social insurance	16,063	116,319	(75,592)	56,790
Defined contribution plans	4,007	191,604	(192,177)	3,434
Housing funds	323	63,931	(63,933)	321
Labor union fees and staff education expenses	134,106	48,417	(38,862)	143,661
Others	641	118,425	(119,034)	32
Total	3,132,482	1,915,248	(1,791,105)	3,256,625

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

57. Other liabilities (continued)

Company (continued)

(2) Movements of provisions

	2020	2019
At beginning of the year	**316,908**	617,339
Provided for the year	**90,021**	55,981
Settled/Reversed	**(143,361)**	(356,412)
At end of the year	**263,568**	316,908

58. Share capital

Group and Company

	Year ended December 31	
	2020	**2019**
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

VI. EXPLANATORY NOTES (continued)

58. 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:

	2020			
	As at January 1	**Issuance**	**Transfer**	**As at December 31**
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**

	2019			
	As at January 1	Issuance	Transfer	As at December 31
Domestic shares				
– MOF (1)	24,596,932	–	(2,459,693)	22,137,239
– NCSSF (1)	–	–	2,459,693	2,459,693
H shares	13,567,603	–	–	13,567,603
Total	38,164,535	–	–	38,164,535

(1) The Ministry of Finance transferred 2,459,693,232 domestic Shares to the National Council for Social Security Fund ("NCSSF") on December 27, 2019 in accordance with the Notice on Fully Implementing the Work of Transferring Part of State-owned Assets to Enrich Social Security Funds (Cai Zi [2019] No.49).

As at December 31, 2020, no share of the Group was subject to lock-up restriction (As at December 31, 2019, no share of the Group was subject to lock-up restriction).

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

59. Other equity instruments

Group and Company

For the year ended December 31, 2020, the movements of the Company's other equity instruments were as follows:

	As at January 1, 2020		Increase		Decrease		As at December 31, 2020	
	Quantity (shares) (In '000)	Carrying Amount (In '000)	Quantity (shares) (In '000)	Carrying Amount (In '000)	Quantity (shares) (In '000)	Carrying Amount (In '000)	Quantity (shares) (In '000)	Carrying Amount (In '000)
Preference Shares – 2016 Offshore Preference Shares	160,000	21,281,215	–	–	–	–	160,000	21,281,215
Total	160,000	21,281,215	–	–	–	–	160,000	21,281,215

The Company issued the U.S. dollar settled Non-Cumulative Perpetual Offshore Preference Shares (the "Offshore Preference Shares") on September 30, 2016. In the year of 2020, the Company distributed dividends for the Offshore Preference Shares of US$158.22 million (2019: US$158.22 million).

60. 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.

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

61. Other comprehensive income

Group

Other comprehensive income attributable to equity holders of the Company is set out below:

	Year ended December 31	
	2020	2019
At beginning of the year	**(35,688)**	(1,152,132)
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	**(14,307)**	535,521
Amounts reclassified to profit or loss upon disposal	**(85,096)**	(184,083)
Amounts of profit or loss upon impairment	**15,230**	8,461
Income tax effect	**43,693**	(53,352)
	(40,480)	306,547
Exchange differences arising on translation of foreign operations	**(805,095)**	(10,643)
Share of other comprehensive income of associates and joint ventures	**275,618**	260,089
Income tax effect	**(68,836)**	(42,764)
	(638,793)	513,229
Items that will not be reclassified subsequently to profit or loss:		
Remeasurement of supplementary retirement benefits	**(19,303)**	(13,869)
Income tax effect	**3,185**	2,288
	(16,118)	(11,581)
Fair value changes on equity instruments designated as at fair value through other comprehensive income	**(735,884)**	819,925
Income tax effect	**189,069**	(205,129)
	(562,933)	603,215
Other comprehensive income/(loss) for the year	**(1,201,726)**	1,116,444
At end of the year	**(1,237,414)**	(35,688)

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

61. Other comprehensive income (continued)

Company

	Year ended December 31	
	2020	2019
At beginning of the year	**(106,328)**	(849,991)
Items that may be reclassified subsequently to profit or loss:		
Fair value changes on debt instruments at fair value through other comprehensive income		
Fair value changes arising during the year	**7,074**	–
Amounts of profit or loss upon impairment	**419**	(18)
Income tax effect	**(1,873)**	4
	5,620	(14)
Share of other comprehensive income of associates and joint ventures	**275,343**	171,055
Income tax effect	**(68,836)**	(42,764)
	212,127	128,277
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	**(756,277)**	820,514
Income tax effect	**189,069**	(205,128)
	(567,208)	615,386
Other comprehensive income/(loss) for the year	**(355,081)**	743,663
At end of the year	**(461,409)**	(106,328)

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

62. 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.

63. General reserve

For the year ended December 31, 2020, as approved by the general meetings of the Company and the board of directors meetings of its subsidiaries, the Group reversed RMB296.1 million from the general reserve (For the years ended December 31, 2019, the Group transferred RMB918.13 million to the general reserve).

For the year ended December 31, 2020, as approved by the general meetings of the Company, no general reserve is required to transfer for the company (For the years ended December 31, 2019, the company transferred RMB549.11 million).

64. Retained earnings

During the years ended December 31, 2020 and 2019, the retained earnings of the Company were as follows:

Company

	Year ended December 31	
	2020	2019
At beginning of the year	**38,649,229**	38,074,368
Profit for the year	**4,387,754**	6,522,636
Appropriation to surplus reserve	**(438,775)**	(652,264)
Appropriation to general reserve	**–**	(549,113)
Dividends recognized as distribution	**(5,005,880)**	(4,746,398)
At end of the year	**37,592,328**	38,649,229

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

65. Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents represent:

	As at December 31	
	2020	2019
Cash	**527,358**	577,491
Balances with central banks	**6,875,576**	9,460,038
Deposits with banks and financial institutions	**59,516,834**	49,188,108
Placements with banks and financial institutions	**19,730,230**	9,686,980
Financial assets held under resale agreements	**34,083,349**	10,486,909
Assets held for sale (1)	**–**	3,349,811
Cash and cash equivalents	**120,733,347**	82,749,337

(1) As at December 31, 2019, the amount was composed of cash amounting to RMB0.03 million, deposits with banks and financial institutions amounting to RMB317.23 million and financial assets held under resale agreements amounting to RMB3,032.55 million.

66. 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, 2020, equity instruments amounting to RMB1,312.69 million (2019: RMB2,328.29 million) were swapped with debt instruments held by the Group with carrying value of RMB1,176.03 million (2019: RMB2,122.26 million).

As part of the distressed asset management business, the Group entered into transactions of equity swap with counterparties in the ordinary courses of business during the year. For year ended December 31, 2020, equity instruments amounting to RMB1,722.96 million (2019: RMB1,626.66 million) were swapped with equity instruments held by the Group with cost of RMB2,150.95 million (2019: RMB734.86 million).

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

67. 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, 2020 and 2019, total claim amounts of pending litigations were RMB1,974.05 million and RMB2,473.81 million for the Group and RMB199.45 million and RMB580.31 million for the Company respectively, and provisions of RMB9.35 million and RMB54.93 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	
	2020	2019
Bank bill acceptance	**19,885,771**	15,145,363
Loan commitments (i)	**15,363,473**	16,427,261
Letters of guarantee issued	**3,708,904**	3,294,722
Letters of credit issued	**3,756,413**	3,092,269
Undrawn credit card commitments	**695,460**	593,359
Others	**425,280**	380,927
Total	**43,835,301**	38,933,901
Impairment of credit commitments	**(142,593)**	(91,407)

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, 2020, the unconditionally revocable loan commitments of the Group amounted to RMB91,308.42 million (December 31, 2019: RMB93,668.23 million).

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

67. Contingent liabilities and commitments (continued)

(3) Capital commitments

Group

	As at December 31	
	2020	2019
Contracted but not provided for		
Commitments for the acquisition of property and equipment	**49,508**	69,122
Total	**49,508**	69,122

Company

	As at December 31	
	2020	**2019**
Contracted but not provided for		
Commitments for the acquisition of property and equipment	**2,264**	**2,128**
Total	**2,264**	**2,128**

(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.

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

68. Transfers of financial assets

(1) Repurchase agreements

The Group entered into sales agreements with certain counterparties on its financial assets, in which the Group was subject to simultaneous agreements with commitments to repurchase these financial assets at specified future dates and prices. As stipulated in the repurchase agreements, there is no transfer of the legal ownership of these financial assets to the counterparties during the covered period. However, the Group is not allowed to sell or pledge these financial assets during the covered period unless both parties mutually agree with such arrangement. Accordingly, the Group has determined that it retains substantially all the risks and rewards of these financial assets and therefore these financial assets have not been derecognized from the financial statements but regarded as "collateral" for the secured lending from the counterparties. Normally, the counterparties could only claim from the collateral when there is an event of default on the secured lending.

	Carrying amount of pledged assets December 31		Related liabilities December 31	
	2020	2019	**2020**	2019
Financial assets at amortized cost	**–**	4,586,420	**–**	4,357,099
Financial assets at fair value through profit or loss	**67,218**	1,791,560	**65,280**	1,791,560
Financial assets at fair value through other comprehensive income	**16,074,084**	13,635,567	**15,925,398**	12,846,266
Loans to margin clients	**–**	500,665	**–**	500,665
Total	**16,141,302**	20,514,212	**15,990,678**	19,495,590

VI. EXPLANATORY NOTES (continued)

68. Transfers of financial assets (continued)

(2) Asset-backed securities

The Group enters into securitization transactions, by which 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, 2020, the Group' s carrying amount of transferred assets that did not qualify for derecognition was RMB84,982.80 million (December 31, 2019: RMB53,952.19 million), and the carrying amount of their associated liabilities was RMB90,139.62 million (December 31, 2019: RMB64,493.89 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, 2019 and 2020.

(3) Continuing involvement

For those in which the Group has neither transferred nor retained substantially all the risks and rewards of the financial assets transferred to third parties or to structured entities, and retained control of the financial assets, the transferred financial assets are recognized to the extent of the Group's continuing involvement. For the year ended December 31, 2020, the carrying amount at the time of transfer of the original financial assets, which the Group determined that it has continuing involvement, was nil (for the year ended December 31, 2019: RMB6,301.00 million). As at December 31, 2020, the carrying amount of continuing involvement assets recognized by the Group was RMB142.47 million (As at December 31, 2019: RMB237.39 million). As at December 31, 2020 and 2019, the carrying amount of continuing involvement liabilities was nil.

VI. EXPLANATORY NOTES (continued)

69. 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 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.

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

69. Segment information (continued)

	Distressed asset management	Financial services	Elimination	Consolidated
Year ended December 31, 2020				
Income from distressed debt assets at amortized cost	19,150,708	–	–	19,150,708
Fair value changes on distressed debt assets	12,546,970	–	–	12,546,970
Fair value changes on other financial instruments	12,132,844	299,260	134,411	12,566,515
Investment income	(330,106)	655,290	(2,694)	322,490
Interest income	9,446,514	14,978,024	(525,362)	23,899,176
Revenue from sales of inventories	24,316,307	–	–	24,316,307
Commission and fee income	443,814	4,468,746	(467,660)	4,444,900
Net gains on disposal of subsidiaries, associates and joint ventures	1,791,019	38,354	12,899	1,842,272
Other income and other net gains or losses	602,049	509,994	(67,363)	1,044,680
Total	80,100,119	20,949,668	(915,769)	100,134,018
Interest expense	(32,942,091)	(7,362,136)	685,723	(39,618,504)
Employee benefits	(2,923,455)	(3,235,440)	–	(6,158,895)
Purchases and changes in inventories	(17,360,392)	–	–	(17,360,392)
Commission and fee expense	(194,244)	(523,840)	82,190	(635,894)
Taxes and surcharges	(505,559)	(93,752)	–	(599,311)
Depreciation and amortization expenses	(1,212,976)	(904,374)	59,601	(2,057,749)
Other expenses	(2,429,198)	(1,153,631)	50,732	(3,532,097)
Impairment losses on assets	(11,231,608)	(2,833,325)	(31,886)	(14,096,819)
Total	(68,799,523)	(16,106,498)	846,360	(84,059,661)

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

69. Segment information (continued)

	Distressed asset management	Financial services	Elimination	Consolidated
Change in net assets attributable to other holders of consolidated structured entities	(9,673)	(8,142)	–	(17,815)
Profit before share of results of associates and joint ventures and tax	11,290,923	4,835,028	(69,409)	16,056,542
Share of results of associates and joint ventures	212,132	40,583	–	252,715
Profit before tax from continuing operations	11,503,055	4,875,611	(69,409)	16,309,257
Income tax expense				(5,324,010)
Profit for the year from continuing operations				10,985,247
Profit for the year from a discontinued operation				3,752,030
Capital expenditure	7,099,966	1,552,551	–	8,652,517
As at December 31, 2020				
Segment assets	1,002,081,396	528,523,142	(21,510,764)	1,509,093,774
Including: Interests in associates and joint ventures	70,095,189	407,471	–	70,502,660
Unallocated assets				8,989,874
Total assets				1,518,083,648
Segment liabilities	885,402,875	453,596,547	(20,626,211)	1,318,373,211
Unallocated liabilities				4,668,017
Total liabilities				1,323,041,228

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

69. Segment information (continued)

	Distressed asset management	Financial services	Elimination	Consolidated
Year ended December 31, 2019				
Income from distressed debt assets at amortized cost	16,403,571	–	–	16,403,571
Fair value changes on distressed debt assets	13,645,346	–	–	13,645,346
Fair value changes on other financial instruments	14,704,357	503,722	(367,997)	14,840,082
Investment income	(316,469)	783,163	(2,205)	464,489
Interest income	8,934,854	17,313,248	(846,476)	25,401,626
Revenue from sales of inventories	18,169,404	–	–	18,169,404
Commission and fee income	514,966	3,301,017	(279,425)	3,536,558
Net gains on disposal of subsidiaries, associates and joint ventures	879,080	2,524	–	881,604
Other income and other net gains or losses	2,719,228	139,447	(54,463)	2,804,212
Total	75,654,337	22,043,121	(1,550,566)	96,146,892
Interest expense	(35,941,760)	(9,452,412)	1,027,619	(44,366,553)
Employee benefits	(3,111,593)	(2,890,347)	–	(6,001,940)
Purchases and changes in inventories	(12,869,033)	–	263	(12,868,770)
Commission and fee expense	(313,728)	(428,910)	23,058	(719,580)
Taxes and surcharges	(493,721)	(83,306)	–	(577,027)
Depreciation and amortization expenses	(756,826)	(861,748)	59,901	(1,558,673)
Other expenses	(2,475,457)	(1,164,194)	98,666	(3,540,985)
Impairment losses on assets	(6,113,839)	(2,816,306)	5,912	(8,924,233)
Total	(62,075,957)	(17,697,223)	1,215,419	(78,557,761)

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

69. Segment information (continued)

	Distressed asset management	Financial services	Elimination	Consolidated
Change in net assets attributable to other holders of consolidated structured entities	(229,732)	(7,808)	–	(237,540)
Profit before share of results of associates and joint ventures and tax	13,348,648	4,338,090	(335,147)	17,351,591
Share of results of associates and joint ventures	1,888,914	31,935	–	1,920,849
Profit before tax from continuing operations	15,237,562	4,370,025	(335,147)	19,272,440
Income tax expense				(5,754,622)
Profit for the year from continuing operations				13,517,818
Profit for the year from discontinued operation				1,500,399
Capital expenditure	6,940,419	1,712,098	–	8,652,517
As at December 31, 2019				
Segment assets	945,229,023	535,673,814	(35,823,591)	1,445,079,246
Including: Interests in associates and joint ventures	72,612,763	393,526	–	73,006,289
Assets held for sale	–	61,394,178	–	61,394,178
Unallocated assets				6,756,583
Total assets				1,513,230,007
Segment liabilities	832,929,548	461,547,993	(31,985,719)	1,262,491,822
Liabilities held for sale	–	57,924,139	–	57,924,139
Unallocated liabilities				4,403,585
Total liabilities				1,324,819,546

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

70. Related party transactions

(1) The MOF

Group

As at December 31, 2020, the MOF directly owned 58.00% (As at December 31, 2019: 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	
	2020	2019
Financial assets at fair value through other comprehensive income	**24,515,050**	23,418,637
Financial assets at amortized cost	**581,013**	3,787,218
Financial assets at fair value through profit or loss	**111,011**	–
Accounts receivable	**1,597**	1,597

The Group had entered into the following transactions with the MOF:

	Year ended December 31	
	2020	2019
Interest income	**859,511**	779,012
Investment income	**52,149**	31,331

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

70. Related party transactions (continued)

(1) The MOF (continued)

Company

The Company had the following balances with the MOF:

	As at December 31	
	2020	2019
Accounts receivable	**1,597**	1,597

For the years ended December 31, 2020 and 2019, the Company had no transaction with the MOF.

(2) Subsidiaries

The Company had the following balances with its subsidiaries:

	As at December 31	
	2020	2019
Amounts due from subsidiaries	**27,536,214**	44,912,818
Financial assets at fair value through profit or loss	**1,780,906**	2,485,202
Lease liabilities	**526,070**	671,681
Right-of-use assets	**509,186**	663,344
Bonds issued	**484,380**	378,751
Financial assets at amortized cost	**226,319**	689,375
Other payables	**183,703**	131,990
Property and equipment	**15,672**	16,254
Accounts payable	**–**	788

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

70. Related party transactions (continued)

(2) Subsidiaries (continued)

The Company had entered into the following transactions with its subsidiaries:

	Year ended December 31	
	2020	2019
Interest income	**887,740**	1,468,572
Interest expense	**206,498**	149,597
Fair value changes on other financial instruments	**196,490**	298,159
Depreciation expenses of right-of-use assets	**126,527**	126,781
Other expenses	**117,261**	99,593
Commission and fee expense	**68,722**	18,980
Impairment losses on assets	**23,308**	101,279
Rental income	**18,185**	29,559
Dividend income	**3,551**	35,605
Depreciation and amortisation expenses	**582**	582
Fair value changes on distressed debt assets	**–**	29,387

(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	
	2020	**2019**
Loans and advances to customers	**7,360,505**	**9,720,108**
Risk deposit	**242,364**	188,664
Other payables	**163,369**	261,448
Other receivables	**45,984**	49,810
Dividend receivable	**45,000**	21,940
Deferred income related to leasing business	**10,549**	21,839
Accounts receivable	**–**	2,480

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

70. 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	
	2020	2019
Dividend income	**1,173,208**	1,167,372
Interest income	**814,474**	901,057
Commission and fee income	**9,569**	23,380
Rental income	**9**	–

Company

The Company had entered into the following transactions with its associates and joint ventures:

	Year ended December 31	
	2020	2019
Dividend income	**524,220**	219,665

(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.

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

70. 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	
	2020	2019
Contribution to defined contribution plans	**286,981**	216,385

Company

The Company had the following transactions with the defined contribution plans:

	Year ended December 31	
	2020	2019
Contribution to defined contribution plans	**109,796**	91,578

(6) Defined benefit plans

Group

Movements of retirement benefits of the Group due to its subsidiary, NCB:

	Year ended December 31	
	2020	**2019**
Current service cost	**2,684**	**2,235**

(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)

71. 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.

VI. EXPLANATORY NOTES (continued)

71. Financial risk management (continued)

71.1 Credit Risk

71.1.1 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.71.4 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.

71.1.2 Measurement of ECL

Refer to Note IV.7.4 Impairment of financial assets.

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

71. Financial risk management (continued)

71.1 Credit Risk (continued)

71.1.3 Maximum exposure to credit risk before taking into account any collateral held or other credit enhancements

The maximum exposure to credit risk represents the credit risk exposure to the Group at the end of each reporting period without taking into account any collateral held or other credit enhancements. The exposure to credit risk at the end of each reporting period mainly arises from distressed debt assets acquired from financial institutions and non-financial institutions, loans and advances to customers and treasury operations. At the end of each reporting period, the maximum exposure to credit risk other than distressed debt assets is as follows:

Group

	As at December 31	
	2020	2019
Balances with central banks	**14,847,690**	18,424,560
Deposits with banks and financial institutions	**87,953,563**	70,837,593
Deposits with exchanges and others	**1,946,984**	1,323,359
Placements with banks and financial institutions	**19,909,505**	11,152,300
Financial assets at fair value through profit or loss	**127,921,267**	110,527,227
Financial assets held under resale agreements	**36,241,153**	13,212,454
Financial assets at fair value through other comprehensive income	**119,255,383**	132,575,402
Financial assets at amortized cost	**220,232,956**	227,645,067
Loans and advance to customers	**353,456,297**	337,859,064
Accounts receivable	**3,255,410**	2,402,725
Other assets	**10,437,031**	14,872,719
Subtotal	**995,457,239**	940,832,470
Off-balance sheet		
Bank bill acceptance	**19,885,771**	15,145,363
Loan commitments	**15,363,473**	16,427,261
Letters of guarantee issued and other credit commitments	**8,586,057**	7,361,277
Subtotal	**43,835,301**	38,933,901
Total	**1,039,292,540**	979,766,371

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

71. Financial risk management (continued)

71.1 Credit Risk (continued)

71.1.3 Maximum exposure to credit risk before taking into account any collateral held or other credit enhancements (continued)

Company

	As at December 31	
	2020	2019
Balances with central banks	**2,410**	2,399
Deposits with banks and financial institutions	**28,324,705**	12,018,928
Financial assets at fair value through profit or loss	**99,590,995**	81,636,664
Financial assets held under resale agreements	**34,112,502**	10,479,747
Financial assets at fair value through other comprehensive income	**4,570,947**	–
Financial assets at amortized cost	**182,569,154**	187,365,891
Accounts receivable	**805,417**	552,805
Amounts due from subsidiaries	**27,331,230**	43,596,732
Other assets	**4,198,739**	3,992,197
Total	**381,506,099**	339,645,363

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, 2019. The carrying amount of distressed debt assets at fair value through profit or loss for the Group as at December 31, 2020 amounted to RMB198,746.18 million (December 31, 2019: RMB197,621.33 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.

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

71. Financial risk management (continued)

71.1 Credit Risk (continued)

71.1.4 Risk concentration of distressed debt assets and loans and advances to customers at amortized cost

Group

	As at December 31	
	2020	2019
Distressed debt assets	**193,031,261**	198,124,431
Loans and advances to customers	**341,395,217**	331,122,128
Subtotal	**534,426,478**	529,246,559
Allowance for impairment losses		
Distressed debt assets	**(16,524,845)**	(11,510,610)
Loans and advances to customers	**(7,485,658)**	(8,270,412)
Subtotal	**(24,010,503)**	(19,781,022)
Net carrying amounts		
Distressed debt assets	**176,506,416**	186,613,821
Loans and advances to customers	**333,909,559**	322,851,716
Total	**510,415,975**	509,465,537

Company

	As at December 31	
	2020	**2019**
Distressed debt assets	**193,113,485**	198,715,598
Allowance for impairment losses	**(16,380,750)**	(11,412,402)
Net carrying amounts	**176,732,735**	187,303,196

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

71. Financial risk management (continued)

71.1 Credit Risk (continued)

71.1.4 Risk concentration of distressed debt assets and loans and advances to customers at amortized cost (continued)

By geographical area

Group

	As at December 31			
	2020		2019	
Area	**Gross amount**	**%**	Gross amount	%
Overseas	**166,206,634**	**31.2**	181,852,321	34.3
Central Region	**78,592,971**	**14.7**	78,112,858	14.8
Western Region	**76,251,607**	**14.3**	62,523,186	11.8
Yangtze River Delta	**75,412,542**	**14.1**	71,233,443	13.5
Bohai Rim	**67,601,765**	**12.6**	65,191,623	12.3
Pearl River Delta	**63,155,401**	**11.8**	63,336,690	12.0
Northeastern Region	**7,205,558**	**1.3**	6,996,438	1.3
Total	**534,426,478**	**100.0**	529,246,559	100.0

Company

	As at December 31			
	2020		2019	
Area	**Gross amount**	**%**	Gross amount	%
Central Region	**54,645,420**	**28.2**	57,263,732	28.8
Bohai Rim	**39,382,659**	**20.4**	47,667,325	24.0
Yangtze River Delta	**38,990,764**	**20.2**	36,009,498	18.1
Western Region	**35,307,888**	**18.3**	30,503,536	15.4
Pearl River Delta	**22,562,868**	**11.7**	24,908,364	12.5
Northeastern Region	**2,223,886**	**1.2**	2,363,143	1.2
Total	**193,113,485**	**100.0**	198,715,598	100.0

VI. EXPLANATORY NOTES (continued)

71. Financial risk management (continued)

71.1 Credit Risk (continued)

71.1.4 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.
Bohai Rim:	Including Beijing, Tianjin, Hebei, and Shandong.
Yangtze River Delta:	Including Shanghai, Jiangsu, and Zhejiang.
Western Region:	Including Chongqing, Sichuan, Guizhou, Yunnan, Shaanxi, Guangxi, Gansu, Qinghai, Xinjiang, Ningxia, and Inner Mongolia.
Pearl River Delta:	Including Guangdong, Shenzhen, and Fujian.
Northeastern Region:	Including Liaoning, Jilin, and Heilongjiang.
Overseas:	Including Hong Kong and other overseas regions.

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

71. Financial risk management (continued)

71.1 Credit Risk (continued)

71.1.4 Risk concentration of distressed debt assets and loans and advances to customers at amortized cost (continued)

By industry

Group

	As at December 31			
	2020		2019	
Industry	**Gross amount**	**%**	Gross amount	%
Corporate business				
Real estate	**183,031,269**	**34.1**	200,997,143	38.0
Manufacturing	**63,451,828**	**11.9**	72,867,907	13.8
Leasing and commercial services	**49,612,282**	**9.3**	52,368,521	9.9
Finance	**29,357,482**	**5.5**	24,073,846	4.5
Production and supply of power, heat, gas and water	**29,166,681**	**5.5**	15,940,369	3.0
Construction	**17,837,696**	**3.3**	14,849,816	2.8
Transportation, logistics and postal services	**15,969,971**	**3.0**	17,707,176	3.3
Mining	**15,857,411**	**3.0**	15,143,210	2.9
Others	**71,380,337**	**13.4**	61,013,509	11.5
Subtotal	**475,664,957**	**89.0**	474,961,497	89.7
Personal business				
Mortgage	**27,377,051**	**5.1**	26,318,715	5.0
Personal consumption loans	**21,264,336**	**4.0**	20,507,932	3.9
Subtotal	**48,641,387**	**9.1**	46,826,647	8.9
Loans to margin clients	**10,120,134**	**1.9**	7,458,415	1.4
Total	**534,426,478**	**100.0**	529,246,559	100.0

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

71. Financial risk management (continued)

71.1 Credit Risk (continued)

71.1.4 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 2020 Gross amount	 %	 2019 Gross amount	 %
Real estate	**88,674,668**	**45.9**	97,974,379	49.3
Manufacturing	**26,321,210**	**13.6**	25,859,350	13.0
Wholesale and retail trade	**16,240,091**	**8.4**	19,143,834	9.6
Construction	**11,348,409**	**5.9**	8,918,543	4.5
Mining	**10,903,560**	**5.6**	12,642,255	6.4
Leasing and commercial services	**8,353,896**	**4.3**	10,717,913	5.4
Transportation, logistics and postal services	**2,611,676**	**1.4**	4,848,924	2.4
Others	**28,659,975**	**14.9**	18,610,400	9.4
Total	**193,113,485**	**100.0**	198,715,598	100.0

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

71. Financial risk management (continued)

71.1 Credit Risk (continued)

71.1.4 Risk concentration of distressed debt assets and loans and advances to customers at amortized cost (continued)

By security type

Group

	As at December 31			
	2020		2019	
	Gross amount	%	Gross amount	%
Unsecured	**140,241,990**	**26.2**	118,900,076	22.5
Guaranteed	**60,133,987**	**11.3**	69,657,240	13.2
Mortgaged	**192,002,678**	**35.9**	239,447,311	45.2
Pledged	**142,047,823**	**26.6**	101,241,932	19.1
Total	**534,426,478**	**100.0**	529,246,559	100.0

Company

	As at December 31			
	2020		2019	
	Gross amount	%	Gross amount	%
Unsecured	**8,842,939**	**4.6**	6,188,898	3.1
Guaranteed	**17,725,350**	**9.2**	20,111,948	10.1
Mortgaged	**132,674,250**	**68.7**	139,585,515	70.3
Pledged	**33,870,946**	**17.5**	32,829,237	16.5
Total	**193,113,485**	**100.0**	198,715,598	100.0

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

71. Financial risk management (continued)

71.1 Credit Risk (continued)

71.1.5 Past due distressed debt assets and loans and advances to customers at amortized cost

Group

	Gross amount as at December 31, 2020					Gross amount as at December 31, 2019				
	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	9,719,713	6,024,210	3,091,359	330,099	19,165,381	8,392,430	4,139,551	13,779	541,852	13,087,612
Loans and advances to customers	3,228,913	1,986,215	2,650,726	920,067	8,785,921	4,728,498	966,062	1,490,807	1,381,315	8,566,682
Total	12,948,626	8,010,425	5,742,085	1,250,166	27,951,302	13,120,928	5,105,613	1,504,586	1,923,167	21,654,294

Company

	Gross amount as at December 31, 2020					Gross amount as at December 31, 2019				
	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	9,719,713	6,024,210	3,091,359	136,574	18,971,856	8,392,430	4,139,551	13,779	348,327	12,894,087

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

71. Financial risk management (continued)

71.1 Credit Risk (continued)

71.1.6 Credit quality of distressed debt assets and loans and advances to customers at amortized cost

Group

	As at December 31	
	2020	**2019**
Neither past due nor impaired	**506,048,025**	**507,296,036**
Past due but not impaired (1)	**14,936,001**	8,769,717
Impaired (2)	**13,442,452**	13,180,806
Subtotal	**534,426,478**	529,246,559
Allowance for impairment losses	**(24,010,503)**	(19,781,022)
Net carrying amount	**510,415,975**	509,465,537

Company

	As at December 31	
	2020	**2019**
Neither past due nor impaired	**174,141,629**	**185,821,511**
Past due but not impaired (1)	**11,432,477**	7,188,035
Impaired (2)	**7,539,379**	5,706,052
Subtotal	**193,113,485**	198,715,598
Allowance for impairment losses	**(16,380,750)**	(11,412,402)
Net carrying amount	**176,732,735**	187,303,196

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

71. Financial risk management (continued)

71.1 Credit Risk (continued)

71.1.6 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, 2020					Gross amount as at December 31, 2019				
	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	7,844,426	3,588,051	–	–	11,432,477	6,688,035	500,000	–	–	7,188,035
Loans and advances to customers	1,553,265	1,740,259	210,000	–	3,503,524	1,581,682	–	–	–	1,581,682
Total	9,397,691	5,328,310	210,000	–	14,936,001	8,269,717	500,000	–	–	8,769,717

Company

	Gross amount as at December 31, 2020					Gross amount as at December 31, 2019				
	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	7,844,426	3,588,051	–	–	11,432,477	6,688,035	500,000	–	–	7,188,035

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

71. Financial risk management (continued)

71.1 Credit Risk (continued)

71.1.6 Credit quality of distressed debt assets and loans and advances to customers at amortized cost (continued)

(2) Impaired

Group

	As at December 31, 2020		
	Gross amount	Allowance for impairment losses	Net carrying amount
Distressed debt assets	**7,732,904**	**(3,258,555)**	**4,474,349**
Loans and advances to customers	**5,709,548**	**(3,185,611)**	**2,523,937**
Total	**13,442,452**	**(6,444,166)**	**6,998,286**

	As at December 31, 2019		
	Gross amount	Allowance for impairment losses	Net carrying amount
Distressed debt assets	5,899,577	(3,339,700)	2,559,877
Loans and advances to customers	7,281,229	(3,377,581)	3,903,648
Total	13,180,806	(6,717,281)	6,463,525

Company

	As at December 31, 2020		
	Gross amount	Allowance for impairment losses	Net carrying amount
Distressed debt assets	**7,539,379**	**(3,087,248)**	**4,452,131**

	As at December 31, 2019		
	Gross amount	Allowance for impairment losses	Net carrying amount
Distressed debt assets	5,706,052	(3,190,972)	2,515,080

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

71. Financial risk management (continued)

71.1 Credit Risk (continued)

71.1.6 Credit quality of distressed debt assets and loans and advances to customers at amortized cost (continued)

(2) Impaired (continued)

Group

	As at December 31	
	2020	2019
Distressed debt assets		
Impaired	**7,732,904**	5,899,577
– Portion covered	**7,364,164**	5,876,865
– Portion not covered	**368,740**	22,712
Impaired as % of total distressed debt assets	**4.0**	3.0
Fair value of collateral	**7,655,575**	5,887,278
Loans and advances to customers		
Impaired	**5,709,548**	7,281,229
– Portion covered	**5,513,737**	5,598,368
– Portion not covered	**195,811**	1,682,861
Impaired as % of total loans and advances to customers	**1.7**	2.2
Fair value of collateral	**5,554,941**	6,451,349

Company

	As at December 31	
	2020	2019
Distressed debt assets		
Impaired	**7,539,379**	5,706,052
– Portion covered	**7,173,532**	5,683,340
– Portion not covered	**365,847**	22,712
Impaired as % of total distressed debt assets	**3.9**	2.9
Fair value of collateral	**7,463,985**	5,693,753

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

71. Financial risk management (continued)

71.1 Credit Risk (continued)

71.1.6 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

	As at December 31			
	2020		2019	
Area	Gross amount	%	Gross amount	%
Pearl River Delta	**2,948,201**	**38.1**	3,332,824	56.5
Bohai Rim	**2,715,747**	**35.1**	507,669	8.6
Yangtze River Delta	**1,182,091**	**15.3**	1,285,313	21.8
Central Region	**753,934**	**9.8**	3,643	0.1
Western Region	**132,931**	**1.7**	331,977	5.6
Northeastern Region	**–**	**–**	438,151	7.4
Total	**7,732,904**	**100.0**	5,899,577	100.0

Company

	As at December 31			
	2020		2019	
Area	Gross amount	%	Gross amount	%
Pearl River Delta	**2,948,201**	**39.0**	3,332,824	58.4
Bohai Rim	**2,522,222**	**33.5**	314,144	5.5
Yangtze River Delta	**1,182,091**	**15.7**	1,285,313	22.5
Central Region	**753,934**	**10.0**	3,643	0.1
Western Region	**132,931**	**1.8**	331,977	5.8
Northeastern Region	**–**	**–**	438,151	7.7
Total	**7,539,379**	**100.0**	5,706,052	100.0

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

71. Financial risk management (continued)

71.1 Credit Risk (continued)

71.1.6 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

	As at December 31			
	2020		2019	
Area	**Gross amount**	**%**	Gross amount	%
Pearl River Delta	**1,170,235**	**20.5**	2,833,018	38.8
Central Region	**1,115,132**	**19.5**	448,066	6.2
Yangtze River Delta	**1,060,707**	**18.6**	230,391	3.2
Bohai Rim	**787,219**	**13.8**	1,133,474	15.6
Overseas	**675,902**	**11.8**	1,191,407	16.4
Northeastern Region	**593,807**	**10.4**	592,276	8.1
Western Region	**306,546**	**5.4**	852,597	11.7
Total	**5,709,548**	**100.0**	7,281,229	100.0

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

71. Financial risk management (continued)

71.1 Credit Risk (continued)

71.1.7 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	
	2020	2019
Neither past due nor impaired (1)	**276,024,460**	267,230,444
Past due but not impaired (2)	**10,816,502**	11,969,437
Impaired (3)	**6,140,254**	6,554,016
Subtotal	**292,981,216**	285,753,897
Allowance for impairment losses	**(2,078,026)**	(1,441,574)
Net carrying amounts	**290,903,190**	284,312,323

Company

	As at December 31	
	2020	2019
Neither past due nor impaired (1)	**97,426,594**	67,498,577
Past due but not impaired	**10,797,575**	11,960,991
Impaired	**1,968,268**	2,476,767
Subtotal	**110,192,437**	81,936,335
Allowance for impairment losses	**(194,076)**	(58,528)
Net carrying amounts	**109,998,361**	81,877,807

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

71. Financial risk management (continued)

71.1 Credit Risk (continued)

71.1.7 Credit quality of investment products (continued)

(1) Neither past due nor impaired

Group

	As at December 31, 2020				As at December 31, 2019			
	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	5,579,784	581,013	40,679,921	46,840,718	5,968,207	3,786,207	54,737,515	64,491,929
Public sector and quasi-government bonds	10,341	–	4,929,996	4,940,337	1,044	–	5,055,750	5,056,794
Financial institution bonds	582,818	1,586,606	34,945,920	37,115,344	501,428	1,776,449	31,354,721	33,632,598
Corporate bonds	7,613,126	581,214	28,105,436	36,299,776	5,086,983	579,971	23,786,945	29,453,899
Trust products and rights to trust assets	14,570,839	15,445,631	–	30,016,470	11,711,825	12,994,353	–	24,706,178
Wealth management products	2,344,900	–	–	2,344,900	1,475,898	–	–	1,475,898
Asset management plans	518,134	513,748	–	1,031,882	1,682,059	608,811	–	2,290,870
Asset-backed securities	756,174	–	–	756,174	564,133	–	–	564,133
Derivative financial assets	802,792	–	–	802,792	593,028	–	–	593,028
Embedded derivatives debts	838,092	–	–	838,092	744,665	–	–	744,665
Debt investments	22,131,737	22,877,525	–	45,009,262	17,607,515	18,781,385	–	36,388,900
Mixed fund investments	56,381,773	–	–	56,381,773	46,917,208	–	–	46,917,208
Interbank negotiate certificate of deposit	–	–	10,594,110	10,594,110	59,162	–	17,640,471	17,699,633
Others	3,052,830	–	–	3,052,830	3,214,711	–	–	3,214,711
Subtotal	115,183,340	41,585,737	119,255,383	276,024,460	96,127,866	38,527,176	132,575,402	267,230,444
Allowance for impairment losses	–	(1,001,339)	–	(1,001,339)	–	(491,353)	–	(491,353)
Total	115,183,340	40,584,398	119,255,383	275,023,121	96,127,866	38,035,823	132,575,402	266,739,091

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

71. Financial risk management (continued)

71.1 Credit Risk (continued)

71.1.7 Credit quality of investment products (continued)

(1) Neither past due nor impaired (continued)

Company

	As at December 31, 2020				As at December 31, 2019			
	Financial assets at fair value through profit or loss	Financial assets at-amortized cost	Financial assets at fair value through other comprehensive income	Total	Financial assets at fair value through profit or loss	Financial assets at-amortized cost	Financial assets at fair value through other comprehensive income	Total
Government bonds	–	–	1,506,645	1,506,645	–	–	–	–
Financial institution bonds	582,818	–	–	582,818	501,428	–	–	501,428
Corporate bonds	601,542	–	–	601,542	–	–	–	–
Trust plans and rights to trust assets	9,402,461	808,995	–	10,211,456	6,457,791	252,828	–	6,710,619
Asset management plans	257,328	–	–	257,328	495,159	–	–	495,159
Asset-backed securities	339,256	–	–	339,256	309,700	–	–	309,700
Debt investments	22,131,737	5,174,657	–	27,306,394	17,607,515	–	–	17,607,515
Mixed fund investments	51,194,679	–	–	51,194,679	38,979,278	–	–	38,979,278
Interbank negotiate certificate of deposit	–	–	3,064,302	3,064,302	–	–	–	–
Others	2,362,174	–	–	2,362,174	2,894,878	–	–	2,894,878
Subtotal	86,871,995	5,983,652	4,570,947	97,426,594	67,245,749	252,828	–	67,498,577
Allowance for impairment losses	–	(148,822)	–	(148,822)	–	(13,274)	–	(13,274)
Total	86,871,995	5,834,830	4,570,947	97,277,772	67,245,749	239,554	–	67,485,303

As at December 31, 2020, the gross amount of neither past due nor impaired investment products at fair value through other comprehensive income was RMB119,255.38 million, the allowances of RMB71.41 million was recognized in other comprehensive income.

As at December 31, 2019, the gross amount of neither past due nor impaired investment products at fair value through other comprehensive income was RMB132,575.40 million, and the allowance of RMB60.19 million was recognized in other comprehensive income.

VI. EXPLANATORY NOTES (continued)

71. Financial risk management (continued)

71.1 Credit Risk (continued)

71.1.7 Credit quality of investment products (continued)

(2) Past due but not impaired

As at December 31, 2020, the past due but not impaired investment products of the Group were financial assets at fair value through profit or loss. The gross amount of investment products was RMB10,816.50 million.

As at December 31, 2019, the past due but not impaired investment products of the Group were financial assets at fair value through profit or loss. The gross amount of investment products was RMB11,969.44 million.

(3) Impaired

As at December 31, 2020, the gross amount of the impaired investment products at fair value through profit or loss was RMB1,921.43 million, and the fair value loss of RMB1,138.35 million was recognized. The impairment of the impaired investment products at fair value through other comprehensive income has been fully accrued, and the allowance of RMB150.05 million was recognized in other comprehensive income. The gross amount of the impaired other debt instruments at amortized cost was RMB4,218.83 million, and the allowance of RMB1,076.69 million was recognized.

As at December 31, 2019, the gross amount of the impaired investment products at fair value through profit or loss was RMB2,429.92 million, and the fair value loss of RMB1,329.85 million was recognized. The impairment of the impaired investment products at fair value through other comprehensive income has been fully accrued, and the allowance of RMB160.44 million was recognized in other comprehensive income. The gross amount of the impaired other debt instruments at amortized cost was RMB4,124.09 million, and the allowance of RMB950.22 million was recognized.

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

71. Financial risk management (continued)

71.1 Credit Risk (continued)

71.1.8 Investment products analyzed by credit rating from reputable rating agencies

Group

	As at December 31, 2020						As at December 31, 2019					
	AAA	AA	A	Below A	Unrated	Total	AAA	AA	A	Below A	Unrated	Total
Government bonds	3,263,281	19,147,980	1,046,098	–	23,383,360	46,840,719	4,557,937	38,054,765	588,810	–	21,290,350	64,491,862
Public sector and quasi-government bonds	1,787,386	427,452	–	–	2,725,499	4,940,337	2,205,304	–	–	–	2,851,490	5,056,794
Financial institution bonds	582,818	13,509,790	17,121,152	5,752,238	149,222	37,115,220	4,204,237	8,703,239	18,525,052	2,045,728	–	33,478,256
Corporate bonds	10,561,091	93,024	12,314,048	5,108,869	8,227,903	36,304,935	7,466,445	1,355,500	10,375,855	5,978,218	4,263,787	29,439,805
Trust products and rights to trust assets	–	–	–	718,206	32,039,242	32,757,448	–	–	–	239,554	27,800,736	28,040,290
Wealth management products	–	–	–	–	2,344,900	2,344,900	–	–	–	–	1,475,898	1,475,898
Asset management plans	–	–	–	–	983,643	983,643	–	–	–	–	2,280,276	2,280,276
Asset-backed securities	–	–	–	–	756,174	756,174	–	–	–	–	564,133	564,133
Debt investments	–	–	–	–	49,711,037	49,711,037	–	–	–	–	42,780,895	42,780,895
Mixed fund investments	–	–	–	–	63,677,836	63,677,836	–	–	–	–	54,111,022	54,111,022
Derivative financial assets	–	–	–	–	802,792	802,792	–	–	–	–	593,028	593,028
Embedded derivatives debts	–	–	–	–	838,092	838,092	–	–	–	–	744,665	744,665
Interbank negotiate certificate of deposit	3,064,303	–	5,297,013	1,757,876	474,918	10,594,110	–	465,925	11,474,739	5,853,786	59,162	17,853,612
Others	–	–	–	–	3,235,947	3,235,947	–	–	–	–	3,401,787	3,401,787
Total	19,258,879	33,178,246	35,778,311	13,337,189	189,350,565	290,903,190	18,433,923	48,579,429	40,964,456	14,117,286	162,217,229	284,312,323

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

71. Financial risk management (continued)

71.1 Credit Risk (continued)

71.1.8 Investment products analyzed by credit rating from reputable rating agencies (continued)

Company

	As at December 31, 2020						As at December 31, 2019					
	AAA	AA	A	Below A	Unrated	Total	AAA	AA	A	Below A	Unrated	Total
Government bonds	1,506,645	-	-	-	-	1,506,645	–	–	–	–	–	–
Financial institution bonds	582,818	-	-	-	-	582,818	501,428	–	–	–	–	501,428
Corporate bonds	-	-	-	-	601,542	601,542	–	–	–	–	–	–
Trust products and rights to trust assets	-	-	-	718,206	9,402,459	10,120,665	–	–	–	239,554	6,932,547	7,172,101
Asset management plans	-	-	-	-	257,328	257,328	–	–	–	–	495,159	495,159
Asset-backed securities	-	-	-	-	339,256	339,256	–	–	–	–	309,700	309,700
Debt investments	-	-	-	-	32,489,771	32,489,771	–	–	–	–	24,144,373	24,144,373
Mixed fund investments	-	-	-	-	58,490,743	58,490,743	–	–	–	–	46,173,092	46,173,092
Interbank negotiate certificate of deposit	3,064,302	-	-	-	-	3,064,302	–	–	–	–	–	–
Others	-	-	-	-	2,545,291	2,545,291	–	–	–	–	3,081,954	3,081,954
Total	5,153,765	-	-	718,206	104,126,390	109,998,361	501,428	–	–	239,554	81,136,825	81,877,807

VI. EXPLANATORY NOTES (continued)

71. Financial risk management (continued)

71.2 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.

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

71. Financial risk management (continued)

71.2 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, 2020						
	Less than 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Non-interest-bearing	Total
Cash and balances with central banks	12,383,502	–	–	–	–	2,991,546	15,375,048
Deposits with banks and financial institutions	76,226,924	4,954,756	4,562,736	–	–	2,209,147	87,953,563
Placements with banks and financial institutions	19,697,443	212,062	–	–	–	–	19,909,505
Deposits with exchanges and others	1,946,984	–	–	–	–	–	1,946,984
Financial assets at fair value through profit or loss	7,789,638	7,193,689	23,859,451	77,310,374	663,339	330,100,183	446,916,674
Financial assets at fair value through other comprehensive income	5,610,860	15,457,819	24,975,428	68,911,888	3,170,792	5,601,681	123,728,468
Loans and advances to customers	192,551,465	38,326,493	75,187,191	45,000,035	1,656,871	734,242	353,456,297
Financial assets at amortized cost	21,659,018	11,394,795	90,043,666	97,102,816	32,661	–	220,232,956
Accounts receivable	15,212	–	–	384,360	–	2,855,838	3,255,410
Financial assets held under resale agreements	30,631,860	4,579,366	313,994	435,156	–	280,777	36,241,153
Other financial assets	2,100	42,341	1,265,625	988,964	1,766	8,465,891	10,766,687
Total financial assets	368,515,006	82,161,321	220,208,091	290,133,593	5,525,429	353,239,305	1,319,782,745
Borrowings from central bank	–	–	–	–	–	(986,058)	(986,058)
Accounts payable to brokerage clients	(13,045,266)	–	–	–	–	(3,538,581)	(16,583,847)
Due to customers	(135,353,256)	(57,336,498)	(65,025,816)	(3,243,963)	–	(12,684,641)	(273,644,174)
Deposits from banks and financial institutions	(3,978,380)	(3,863,730)	(391,502)	(7,105,000)	(80,000)	(123,572)	(15,542,184)
Placements from banks and financial institutions	(4,493,080)	(6,791,235)	(2,528,243)	–	–	(231,776)	(14,044,334)
Financial liabilities at fair value through profit or loss	(1,817,920)	(2,170,572)	(1,671,852)	–	–	(1,616,565)	(7,276,909)
Financial assets sold under repurchase agreements	(8,874,433)	(3,948,122)	(1,484,020)	–	–	(1,684,103)	(15,990,678)
Borrowings	(34,278,158)	(57,361,284)	(368,419,974)	(74,531,803)	(19,294,094)	(3,026,835)	(556,912,148)
Bonds issued	(36,279)	(21,483,793)	(75,886,723)	(146,967,791)	(105,330,923)	(6,072,021)	(355,777,530)
Accounts payable	–	–	–	–	–	(4,886,693)	(4,886,693)
Other financial liabilities	(272,841)	(206,431)	(2,671,112)	(539,468)	(22,916)	(25,158,839)	(28,871,607)
Total financial liabilities	(202,149,613)	(153,161,665)	(518,079,242)	(232,388,025)	(124,727,933)	(60,009,684)	(1,290,516,162)
Interest rate gap	166,365,393	(71,000,344)	(297,871,151)	57,745,568	(119,202,504)	293,229,621	29,266,583

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

71. Financial risk management (continued)

71.2 Market risk (continued)

Interest rate risk (continued)

Group (continued)

	As at December 31, 2019						
	Less than 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Non-interest-bearing	Total
Cash and balances with central banks	14,285,356	–	–	–	–	4,716,695	19,002,051
Deposits with banks and financial institutions	59,750,485	7,040,042	2,845,194	170,983	–	1,030,889	70,837,593
Placements with banks and financial institutions	9,196,767	1,177,215	778,318	–	–	–	11,152,300
Deposits with exchanges and others	1,323,359	–	–	–	–	–	1,323,359
Financial assets at fair value through profit or loss	5,735,157	1,962,001	8,573,894	68,119,351	931,961	326,842,219	412,164,583
Financial assets at fair value through other comprehensive income	9,018,158	14,835,453	43,842,887	61,297,584	2,385,068	5,423,815	136,802,965
Loans and advances to customers	205,062,207	43,968,089	47,327,661	39,506,994	1,360,271	633,842	337,859,064
Financial assets at amortized cost	24,921,303	12,744,713	73,068,357	116,910,694	–	–	227,645,067
Accounts receivable	–	–	–	400,000	–	2,002,725	2,402,725
Financial assets held under resale agreements	11,870,687	–	129,050	461,994	–	750,723	13,212,454
Assets held for sale	5,774,791	2,035,931	5,142,616	17,036,291	10,881,121	18,084,650	58,955,400
Other financial assets	41,628	49,617	231,904	292,221	–	14,482,385	15,097,755
Total financial assets	346,979,898	83,813,061	181,939,881	304,196,112	15,558,421	373,967,943	1,306,455,316
Borrowings from central bank	–	–	(24,761)	–	–	(986,099)	(1,010,860)
Accounts payable to brokerage clients	(11,231,975)	–	–	–	–	(3,088,369)	(14,320,344)
Due to customers	(127,974,752)	(53,385,563)	(78,323,140)	(7,389,881)	(309,498)	(7,822,932)	(275,205,766)
Deposits from banks and financial institutions	(1,480,862)	(6,429,392)	(3,032,490)	(3,081,540)	(4,776)	(128,068)	(14,157,128)
Placements from banks and financial institutions	(7,292,129)	(3,759,010)	(3,013,811)	–	–	(19,869)	(14,084,819)
Financial liabilities at fair value through profit or loss	(3,394,627)	(818,294)	(309,478)	–	–	(542,857)	(5,065,256)
Financial assets sold under repurchase agreements	(9,212,051)	(1,125,131)	(6,849,966)	(500,000)	–	(1,808,442)	(19,495,590)
Borrowings	(14,978,533)	(76,909,729)	(320,986,602)	(99,623,212)	(21,087,227)	(3,006,001)	(536,591,304)
Bonds issued	(99,293)	(10,569,779)	(69,764,775)	(112,101,319)	(106,929,018)	(5,385,382)	(304,849,566)
Accounts payable	–	–	–	–	–	(5,050,797)	(5,050,797)
Liabilities held for sale	–	(1,078)	(3,235)	(5,717,873)	(7,946,077)	(1,880,074)	(15,548,337)
Other financial liabilities	(21,834)	(28,704)	(170,274)	(456,570)	(99,550)	(34,512,061)	(35,288,993)
Total financial liabilities	(175,686,056)	(153,026,680)	(482,478,532)	(228,870,395)	(136,376,146)	(64,230,951)	(1,240,668,760)
Interest rate gap	171,293,842	(69,213,619)	(300,538,651)	75,325,717	(120,817,725)	309,736,992	65,786,556

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

71. Financial risk management (continued)

71.2 Market risk (continued)

Interest rate risk (continued)

Company

	As at December 31, 2020						
	Less than 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Non-interest-bearing	Total
Cash and balances with central banks	2,410	–	–	–	–	257	2,667
Deposits with banks and financial institutions	18,543,161	5,198,792	4,582,752	–	–	–	28,324,705
Financial assets at fair value through profit or loss	2,745,944	3,390,675	10,147,922	63,693,233	582,818	266,979,942	347,540,534
Accounts receivable	–	–	–	384,360	–	421,057	805,417
Financial assets held under resale agreements	29,593,405	4,480,236	–	–	–	38,861	34,112,502
Amounts due from subsidiaries	8,944,307	4,022,829	4,907,648	8,335,300	–	1,121,147	27,331,231
Financial assets at fair value through other comprehensive income	496,600	2,528,281	–	9,759	1,491,983	3,487,695	8,014,318
Financial assets at amortized cost	16,536,439	11,077,677	74,176,797	80,745,580	32,661	–	182,569,154
Interests in consolidated structured entities	1,349,504	191,269	2,552,948	20,986,607	562,232	2,693,306	28,335,866
Other financial assets	600	13,137	1,224,833	–	–	2,960,168	4,198,738
Total financial assets	78,212,370	30,902,896	97,592,900	174,154,839	2,669,694	277,702,433	661,235,132
Borrowings from central bank	–	–	–	–	–	(986,058)	(986,058)
Financial liabilities at fair value through profit or loss	–	–	–	–	–	(204,201)	(204,201)
Borrowings	(29,000,000)	(50,300,000)	(311,660,000)	(50,900,000)	–	(2,108,344)	(443,968,344)
Bonds issued	–	(15,795,585)	(65,082,426)	(45,459,319)	(69,655,676)	(3,881,319)	(199,874,325)
Accounts payable	–	–	–	–	–	(1,000)	(1,000)
Other financial liabilities	–	–	–	–	–	(5,870,305)	(5,870,305)
Total financial liabilities	(29,000,000)	(66,095,585)	(376,742,426)	(96,359,319)	(69,655,676)	(13,051,227)	(650,904,233)
Interest rate gap	49,212,370	(35,192,689)	(279,149,526)	77,795,520	(66,985,982)	264,651,206	10,330,899

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

71. Financial risk management (continued)

71.2 Market risk (continued)

Interest rate risk (continued)

Company (continued)

	As at December 31, 2019						
	Less than 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Non-interest-bearing	Total
Cash and balances with central banks	2,399	–	–	–	–	399	2,798
Deposits with banks and financial institutions	10,957,760	1,061,168	–	–	–	–	12,018,928
Financial assets at fair value through profit or loss	2,447,981	153,667	2,733,090	59,647,247	501,428	258,025,020	323,508,433
Accounts receivable	–	–	–	400,000	–	152,805	552,805
Financial assets held under resale agreements	10,477,172	–	–	–	–	2,575	10,479,747
Amounts due from subsidiaries	3,084,025	12,555,309	16,183,089	11,527,458	–	246,851	43,596,732
Financial assets at fair value through other comprehensive income	–	–	–	–	–	4,199,647	4,199,647
Financial assets at amortized cost	19,207,256	11,820,799	67,451,293	88,886,543	–	–	187,365,891
Interests in consolidated structured entities	–	1,205,059	1,190,736	11,878,496	545,468	3,571,235	18,390,994
Other financial assets	35,200	46,800	92,762	–	–	3,817,435	3,992,197
Total financial assets	46,211,793	26,842,802	87,650,970	172,339,744	1,046,896	270,015,967	604,108,172
Borrowings from central bank	–	–	–	–	–	(986,058)	(986,058)
Financial liabilities at fair value through profit or loss	–	–	–	–	–	(717,977)	(717,977)
Borrowings	(13,900,000)	(66,490,000)	(278,289,000)	(65,000,000)	–	(2,407,925)	(426,086,925)
Bonds issued	–	(1,258,847)	(52,641,066)	(38,286,132)	(59,693,617)	(3,037,154)	(154,916,816)
Other financial liabilities	–	–	–	–	–	(6,308,063)	(6,308,063)
Total financial liabilities	(13,900,000)	(67,748,847)	(330,930,066)	(103,286,132)	(59,693,617)	(13,457,177)	(589,015,839)
Interest rate gap	32,311,793	(40,906,045)	(243,279,096)	69,053,612	(58,646,721)	256,558,790	15,092,333

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

71. Financial risk management (continued)

71.2 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			
	2020		2019	
	Profit before tax	**Other comprehensive income**	Profit before tax	Other comprehensive income
+ 100 basis points	**(114,351)**	**(1,690,701)**	(62,234)	(1,536,577)
– 100 basis points	**114,351**	**1,751,159**	62,234	1,584,092

Company

	As at December 31			
	2020		2019	
	Profit before tax	**Other comprehensive income**	Profit before tax	Other comprehensive income
+ 100 basis points	**(868,465)**	**(117,276)**	(943,526)	–
– 100 basis points	**868,465**	**127,967**	943,526	–

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

71. Financial risk management (continued)

71.2 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, 2020				
	RMB	USD (RMB equivalent)	HKD (RMB equivalent)	Other currencies (RMB equivalent)	Total (RMB equivalent)
Cash and balances with central banks	26,650	12,974	15,299,320	36,104	15,375,048
Deposits with banks and financial institutions	65,656,583	20,637,853	1,019,592	639,535	87,953,563
Placements with banks and financial institutions	3,813,372	12,207,698	3,888,435	–	19,909,505
Deposits with exchanges and others	1,935,351	1,762	9,871	–	1,946,984
Financial assets at fair value through profit or loss	402,160,618	35,022,882	8,351,050	1,382,124	446,916,674
Financial assets at amortized cost	218,646,474	1,586,482	–	–	220,232,956
Financial assets at fair value through other comprehensive income	32,438,919	48,044,228	43,245,321	–	123,728,468
Loans and advances to customers	179,083,828	56,126,125	110,162,799	8,083,545	353,456,297
Accounts receivable	2,573,061	251,661	430,688	–	3,255,410
Financial assets held under resale agreements	36,241,153	–	–	–	36,241,153
Other financial assets	7,618,333	1,005,533	2,124,290	18,531	10,766,687
Total financial assets	950,194,342	174,897,198	184,531,366	10,159,839	1,319,782,745

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

71. Financial risk management (continued)

71.2 Market risk (continued)

Foreign exchange risk (continued)

Group (continued)

	As at December 31, 2020				
	RMB	USD (RMB equivalent)	HKD (RMB equivalent)	Other currencies (RMB equivalent)	Total (RMB equivalent)
Borrowings from central bank	(986,058)	–	–	–	(986,058)
Accounts payable to brokerage clients	(16,263,474)	–	(320,373)	–	(16,583,847)
Due to customers	(59,290,688)	(55,912,215)	(152,174,635)	(6,266,636)	(273,644,174)
Deposits from banks and financial institutions	(14,705,384)	(441,637)	(387,442)	(7,721)	(15,542,184)
Placements from banks and financial institutions	(5,758,799)	(2,746,535)	(957,230)	(4,581,770)	(14,044,334)
Financial liabilities at fair value through profit or loss	(74,850)	(501,482)	(6,700,577)	–	(7,276,909)
Financial assets sold under repurchase agreements	(1,469,301)	(2,823,223)	(3,042,306)	(8,655,848)	(15,990,678)
Borrowings	(512,019,155)	(8,284,352)	(36,606,585)	(2,056)	(556,912,148)
Bonds issued	(274,953,592)	(80,779,624)	(44,314)	–	(355,777,530)
Accounts payable	(4,363,902)	(288,274)	(228,684)	(5,833)	(4,886,693)
Other financial liabilities	(26,126,129)	(870,771)	(1,856,554)	(18,153)	(28,871,607)
Total financial liabilities	(916,011,332)	(152,648,113)	(202,318,700)	(19,538,017)	(1,290,516,162)
Net exposure	34,183,010	22,249,085	(17,787,334)	(9,378,178)	29,266,583

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

71. Financial risk management (continued)

71.2 Market risk (continued)

Foreign exchange risk (continued)

Group (continued)

	As at December 31, 2019				
	RMB	USD (RMB equivalent)	HKD (RMB equivalent)	Other currencies (RMB equivalent)	Total (RMB equivalent)
Cash and balances with central banks	12,972,424	1,206,396	4,786,904	36,327	19,002,051
Deposits with banks and financial institutions	62,380,986	5,406,720	2,378,390	671,497	70,837,593
Placements with banks and financial institutions	2,721,743	6,954,649	780,937	694,971	11,152,300
Deposits with exchanges and others	1,315,107	1,884	6,368	–	1,323,359
Financial assets at fair value through profit or loss	370,119,094	30,962,869	9,218,225	1,864,395	412,164,583
Financial assets at amortized cost	226,289,655	445,976	861,378	48,058	227,645,067
Financial assets at fair value through other comprehensive income	22,516,260	38,979,865	62,032,783	13,274,057	136,802,965
Loans and advances to customers	144,869,164	61,208,348	123,663,333	8,118,219	337,859,064
Accounts receivable	2,146,879	28,123	227,723	–	2,402,725
Financial assets held under resale agreements	13,212,454	–	–	–	13,212,454
Assets held for sale	58,955,400	–	–	–	58,955,400
Other financial assets	5,867,064	4,649,590	4,577,405	3,696	15,097,755
Total financial assets	923,366,230	149,844,420	208,533,446	24,711,220	1,306,455,316

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

71. Financial risk management (continued)

71.2 Market risk (continued)

Foreign exchange risk (continued)

Group (continued)

	As at December 31, 2019				
	RMB	USD (RMB equivalent)	HKD (RMB equivalent)	Other currencies (RMB equivalent)	Total (RMB equivalent)
Borrowings from central bank	(1,010,860)	–	–	–	(1,010,860)
Accounts payable to brokerage clients	(14,053,843)	(89,314)	(177,187)	–	(14,320,344)
Due to customers	(70,424,176)	(58,729,789)	(140,643,516)	(5,408,285)	(275,205,766)
Deposits from banks and financial institutions	(13,158,511)	(631,904)	(359,188)	(7,525)	(14,157,128)
Placements from banks and financial institutions	(7,020,316)	(3,487,979)	(928,905)	(2,647,619)	(14,084,819)
Financial liabilities at fair value through profit or loss	(159,071)	(180,796)	(4,724,331)	(1,058)	(5,065,256)
Financial assets sold under repurchase agreements	(9,997,280)	(1,171,378)	(2,008,720)	(6,318,212)	(19,495,590)
Borrowings	(488,982,718)	(7,569,702)	(40,038,884)	–	(536,591,304)
Bonds issued	(222,401,934)	(82,400,467)	(47,165)	–	(304,849,566)
Accounts payable	(3,946,431)	(468,906)	(625,238)	(10,222)	(5,050,797)
Liabilities held for sale	(15,548,337)	–	–	–	(15,548,337)
Other financial liabilities	(24,548,963)	(491,365)	(10,243,498)	(5,167)	(35,288,993)
Total financial liabilities	(871,252,440)	(155,221,600)	(199,796,632)	(14,398,088)	(1,240,668,760)
Net exposure	52,113,790	(5,377,180)	8,736,814	10,313,132	65,786,556

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

71. Financial risk management (continued)

71.2 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	
	2020	2019
5% appreciation	**245,821**	(683,638)
5% depreciation	**(245,821)**	683,638

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			
	2020		2019	
	Profit before tax	**Equity**	Profit before tax	Equity
+1 percent	**1,202,492**	**44,731**	1,040,160	42,276
– 1 percent	**(1,202,492)**	**(44,731)**	(1,040,160)	(42,276)

VI. EXPLANATORY NOTES (continued)

71. Financial risk management (continued)

71.3 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.

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

71. Financial risk management (continued)

71.3 Liquidity risk (continued)

Group

	As at December 31, 2020							
	Past due/ undated	On demand	Less than 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
Cash and balances with central banks	7,972,169	7,402,906	–	–	–	–	–	15,375,075
Deposits with banks and financial institutions	166	63,240,984	15,505,223	4,963,935	4,575,117	–	–	88,285,425
Placements with banks and financial institutions	–	–	19,697,613	211,892	–	–	–	19,909,505
Deposits with exchanges and others	1,946,984	–	–	–	–	–	–	1,946,984
Financial assets at fair value through profit or loss	318,751,002	10,578,634	3,694,278	20,484,306	30,288,313	101,182,674	707,329	485,686,536
Loans and advances to customers	9,750,462	21,456,317	8,441,472	29,791,214	90,988,108	161,080,255	54,453,781	375,961,609
Accounts receivable	459,266	1,208,723	247,350	197,000	731,895	467,477	–	3,311,711
Financial assets held under resale agreements	857,181	–	31,133,004	4,617,292	335,500	436,462	–	37,379,439
Financial assets at fair value through other comprehensive income	4,473,085	–	5,681,357	15,653,390	25,374,364	74,641,918	3,967,887	129,792,001
Financial assets at amortized cost	22,301,470	1,838,962	3,093,361	12,651,062	101,077,742	123,196,429	54,157	264,213,183
Other financial assets	3,172,323	3,801,919	1,127,062	45,170	1,311,480	1,554,912	1,870	11,014,736
Total financial assets	369,684,108	109,528,445	88,620,720	88,615,261	254,682,519	462,560,127	59,185,024	1,432,876,204
Borrowings from central bank	(986,058)	–	–	–	–	–	–	(986,058)
Accounts payable to brokerage clients	–	(3,538,581)	(13,045,266)	–	–	–	–	(16,583,847)
Due to customers	–	(104,862,591)	(43,432,569)	(51,170,053)	(68,300,389)	(6,714,776)	–	(274,480,378)
Deposits from banks and financial institutions	–	(705,966)	(3,379,247)	(3,899,744)	(396,824)	(7,280,031)	(97,961)	(15,759,773)
Placements from banks and financial institutions	–	(218,873)	(3,896,967)	(7,412,977)	(2,602,871)	–	–	(14,131,688)
Financial liabilities at fair value through profit or loss	(12,243)	(73,468)	(2,132,995)	(2,452,163)	(2,173,916)	(419,984)	(12,571)	(7,277,340)
Financial assets sold under repurchase agreements	–	(1,683,280)	(8,881,858)	(3,951,109)	(1,485,243)	–	–	(16,001,490)
Borrowings	(504,059)	(37,347,637)	(33,816,464)	(58,125,905)	(363,274,829)	(81,303,264)	(3,682,802)	(578,054,960)
Bonds issued	–	–	(36,430)	(21,907,485)	(77,970,973)	(155,918,738)	(132,570,547)	(388,404,173)
Accounts payable	(82,353)	(4,728,742)	(63,263)	11,926	(127,814)	(24,052)	–	(5,014,298)
Other financial liabilities	(982,722)	(17,135,458)	(1,321,168)	(732,879)	(4,747,677)	(3,610,039)	(489,451)	(29,019,394)
Total financial liabilities	(2,567,435)	(170,294,596)	(110,006,227)	(149,640,389)	(521,080,536)	(255,270,884)	(136,853,332)	(1,345,713,399)
Net position	367,116,673	(60,766,151)	(21,385,507)	(61,025,128)	(266,398,017)	207,289,243	(77,668,308)	87,162,805

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

71. Financial risk management (continued)

71.3 Liquidity risk (continued)

Group (continued)

	As at December 31, 2019							
	Past due/ undated	On demand	Less than 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
Cash and balances with central banks	14,282,968	4,719,083	–	–	–	–	–	19,002,051
Deposits with banks and financial institutions	225,157	53,322,345	7,742,837	7,077,806	2,878,550	172,296	–	71,418,991
Placements with banks and financial institutions	–	–	10,038,274	1,178,496	789,744	–	–	12,006,514
Deposits with exchanges and others	1,323,359	–	–	–	–	–	–	1,323,359
Financial assets at fair value through profit or loss	314,149,501	8,215,331	2,881,024	4,452,634	14,293,074	82,843,927	1,436,453	428,271,944
Loans and advances to customers	4,238,615	21,041,993	13,184,025	25,917,915	80,741,496	175,952,409	64,987,104	386,063,557
Accounts receivable	1,253,545	553,021	30,112	150,401	14,705	441,601	–	2,443,385
Financial assets held under resale agreements	746,068	–	11,898,840	–	130,964	471,383	–	13,247,255
Financial assets at fair value through other comprehensive income	4,227,563	–	9,054,914	14,978,895	44,605,167	65,991,149	8,728,017	147,585,705
Financial assets at amortized cost	16,103,312	2,312,590	13,074,001	13,563,498	81,202,152	146,642,305	–	272,897,858
Assets held for sale	18,226,322	260,051	5,023,850	2,234,612	5,803,534	19,973,013	15,194,148	66,715,530
Other financial assets	5,455,473	1,905,655	3,351,778	3,956,872	742,838	121,784	239,052	15,773,452
Total financial assets	380,231,883	92,330,069	76,279,655	73,511,129	231,202,224	492,609,867	90,584,774	1,436,749,601
Borrowings from central bank	(986,058)	–	–	–	(25,040)	–	–	(1,011,098)
Accounts payable to brokerage clients	–	(3,086,905)	(11,236,844)	–	–	–	–	(14,323,749)
Due to customers	–	(93,941,836)	(41,530,831)	(53,780,903)	(79,659,993)	(14,824,434)	(365,109)	(284,103,106)
Deposits from banks and financial institutions	–	(978,458)	(507,576)	(6,496,080)	(3,122,944)	(3,195,744)	(4,823)	(14,305,625)
Placements from banks and financial institutions	–	–	(7,305,821)	(3,782,400)	(3,014,120)	–	–	(14,102,341)
Financial liabilities at fair value through profit or loss	(16,941)	(77,572)	(3,445,263)	(972,209)	(399,194)	(154,077)	–	(5,065,256)
Financial assets sold under repurchase agreements	–	(1,791,560)	(9,308,489)	(1,136,864)	(6,930,046)	(505,671)	–	(19,672,630)
Borrowings	–	–	(16,256,368)	(80,360,737)	(332,129,868)	(122,735,798)	(27,688,312)	(579,171,083)
Bonds issued	–	–	(102,319)	(10,969,067)	(72,108,118)	(124,642,253)	(153,386,288)	(361,208,045)
Accounts payable	(34,011)	(4,749,307)	(120,925)	(121,335)	(25,219)	–	–	(5,050,797)
Liabilities held for sale	(1,799,310)	–	–	(1,078)	(3,235)	(5,733,039)	(8,731,346)	(16,268,008)
Other financial liabilities	(3,772,588)	(12,945,698)	(9,644,781)	(190,809)	(5,005,133)	(3,161,603)	(612,948)	(35,333,560)
Total financial liabilities	(6,608,908)	(117,571,336)	(99,459,217)	(157,811,482)	(502,422,910)	(274,952,619)	(190,788,826)	(1,349,615,298)
Net position	373,622,975	(25,241,267)	(23,179,562)	(84,300,353)	(271,220,686)	217,657,248	(100,204,052)	87,134,303

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

71. Financial risk management (continued)

71.3 Liquidity risk (continued)

Company

	As at December 31, 2020							
	Past due/ undated	On demand	Less than 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
Cash and balances with central banks	–	2,667	–	–	–	–	–	2,667
Deposits with banks and financial institutions	–	14,617,312	3,927,180	5,203,655	4,590,619	–	–	28,338,766
Financial assets at fair value through profit or loss	267,469,787	1,887,664	2,310,068	16,009,190	12,006,688	83,720,167	582,818	383,986,382
Accounts receivable	1,605	219,502	199,951	–	–	440,660	–	861,718
Financial assets held under resale agreements	–	–	29,654,654	4,502,946	–	–	–	34,157,600
Amounts due from subsidiaries	4,673	3,588,296	6,476,925	4,025,425	4,912,144	9,267,541	–	28,275,004
Financial assets at fair value through other comprehensive income	3,443,371	–	500,393	2,572,264	–	10,966	1,892,628	8,419,622
Financial assets at amortized cost	19,018,700	–	2,846,492	11,828,842	83,907,253	103,270,345	54,157	220,925,789
Interests in consolidated structured entities	4,558,616	–	136,862	194,000	2,703,438	24,464,327	588,337	32,645,580
Other financial assets	2,354,428	463,269	600	13,137	1,463,238	142,470	–	4,437,142
Total financial assets	296,851,180	20,778,710	46,053,125	44,349,459	109,583,380	221,316,476	3,117,940	742,050,270
Borrowings from central bank	(986,058)	–	–	–	–	–	–	(986,058)
Financial liabilities at fair value through profit or loss	–	–	–	–	–	(204,201)	–	(204,201)
Borrowings	–	–	(29,096,792)	(50,975,988)	(319,441,241)	(54,580,813)	–	(454,094,834)
Bonds issued	–	–	–	(15,979,131)	(66,259,310)	(49,495,689)	(96,901,745)	(228,635,875)
Accounts payable	–	–	–	–	(1,000)	–	–	(1,000)
Other financial liabilities	(715,173)	(5,140,607)	–	–	(14,526)	–	–	(5,870,306)
Total financial liabilities	(1,701,231)	(5,140,607)	(29,096,792)	(66,955,119)	(385,716,077)	(104,280,703)	(96,901,745)	(689,792,274)
Net position	295,149,949	15,638,103	16,956,333	(22,605,660)	(276,132,697)	117,035,773	(93,783,805)	52,257,996

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

71. Financial risk management (continued)

71.3 Liquidity risk (continued)

Company (continued)

	As at December 31, 2019							
	Past due/ undated	On demand	Less than 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
Cash and balances with central banks	–	2,798	–	–	–	–	–	2,798
Deposits with banks and financial institutions	–	10,957,760	–	1,065,458	–	–	–	12,023,218
Financial assets at fair value through profit or loss	262,713,167	2,517,905	121,285	1,360,729	5,435,354	63,198,808	501,428	335,848,676
Accounts receivable	1,605	1,200	–	150,000	–	440,660	–	593,465
Financial assets held under resale agreements	–	–	10,485,873	–	–	–	–	10,485,873
Amounts due from subsidiaries	4,673	1,665,229	1,662,316	12,609,381	16,437,791	12,921,921	–	45,301,311
Financial assets at fair value through other comprehensive income	4,199,647	–	–	–	–	–	–	4,199,647
Financial assets at amortized cost	12,762,483	–	12,960,852	12,089,923	73,231,233	114,731,143	–	225,775,634
Interests in consolidated structured entities	3,804,365	–	–	1,274,098	1,266,807	14,087,611	581,076	21,013,957
Other financial assets	2,781,205	798,838	35,200	46,800	92,762	–	237,392	3,992,197
Total financial assets	286,267,145	15,943,730	25,265,526	28,596,389	96,463,947	205,380,143	1,319,896	659,236,776
Borrowings from central bank	(986,058)	–	–	–	–	–	–	(986,058)
Financial liabilities at fair value through profit or loss	–	–	–	(106,876)	(267,978)	(343,123)	–	(717,977)
Borrowings	–	–	(15,170,332)	(69,696,345)	(285,743,863)	(67,006,110)	–	(437,616,650)
Bonds issued	–	–	–	(1,281,273)	(54,434,865)	(41,370,489)	(84,467,055)	(181,553,682)
Other financial liabilities	(536,971)	(5,559,592)	–	–	(211,500)	–	–	(6,308,063)
Total financial liabilities	(1,523,029)	(5,559,592)	(15,170,332)	(71,084,494)	(340,658,206)	(108,719,722)	(84,467,055)	(627,182,430)
Net position	284,744,116	10,384,138	10,095,194	(42,488,105)	(244,194,259)	96,660,421	(83,147,159)	32,054,346

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

71. Financial risk management (continued)

71.3 Liquidity risk (continued)

Analysis of the remaining maturity of the financial assets and financial liabilities

Group

	As at December 31, 2020							
	Past due/ undated	On demand	Less than 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
Cash and balances with central banks	7,972,169	7,402,879	–	–	–	–	–	15,375,048
Deposits with banks and financial institutions	166	62,949,253	15,485,789	4,955,619	4,562,736	–	–	87,953,563
Placements with banks and financial institutions	–	–	19,697,613	211,892	–	–	–	19,909,505
Deposits with exchanges and others	1,946,984	–	–	–	–	–	–	1,946,984
Financial assets at fair value through profit or loss	316,870,573	10,494,878	3,368,488	7,819,567	27,768,489	79,913,578	681,101	446,916,674
Loans and advances to customers	4,835,240	21,456,317	6,771,545	28,846,395	87,002,193	153,401,520	51,143,087	353,456,297
Accounts receivable	459,266	1,208,722	247,350	197,000	731,895	411,177	–	3,255,410
Financial assets held under resale agreements	240,274	–	30,669,598	4,580,825	313,994	436,462	–	36,241,153
Financial assets at fair value through other comprehensive income	4,473,085	–	5,676,429	15,616,884	25,127,524	69,647,423	3,187,123	123,728,468
Financial assets at amortized cost	16,994,357	1,838,962	2,825,700	11,343,655	89,564,932	97,632,689	32,661	220,232,956
Other financial assets	3,172,323	3,801,919	1,127,062	45,170	1,311,393	1,307,054	1,766	10,766,687
Total financial assets	356,964,437	109,152,930	85,869,574	73,617,007	236,383,156	402,749,903	55,045,738	1,319,782,745
Borrowings from central bank	(986,058)	–	–	–	–	–	–	(986,058)
Accounts payable to brokerage clients	–	(3,538,581)	(13,045,266)	–	–	–	–	(16,583,847)
Due to customers	–	(104,862,591)	(43,398,609)	(50,958,288)	(67,822,820)	(6,601,866)	–	(273,644,174)
Deposits from banks and financial institutions	–	(705,966)	(3,379,247)	(3,878,650)	(393,321)	(7,105,000)	(80,000)	(15,542,184)
Placements from banks and financial institutions	–	(218,872)	(3,894,405)	(7,398,027)	(2,533,030)	–	–	(14,044,334)
Financial liabilities at fair value through profit or loss	(12,243)	(73,468)	(2,132,973)	(2,452,077)	(2,173,593)	(419,984)	(12,571)	(7,276,909)
Financial assets sold under repurchase agreements	–	(1,683,280)	(8,875,256)	(3,948,122)	(1,484,020)	–	–	(15,990,678)
Borrowings	(504,059)	(32,800,248)	(33,776,825)	(57,783,285)	(355,787,720)	(73,495,718)	(2,764,293)	(556,912,148)
Bonds issued	–	–	(36,404)	(21,753,880)	(76,535,069)	(148,968,097)	(108,484,080)	(355,777,530)
Accounts payable	(82,353)	(4,601,137)	(63,263)	11,926	(127,814)	(24,052)	–	(4,886,693)
Other financial liabilities	(982,722)	(17,126,290)	(1,307,889)	(705,708)	(4,672,059)	(3,587,726)	(489,213)	(28,871,607)
Total financial liabilities	(2,567,435)	(165,610,433)	(109,910,137)	(148,866,111)	(511,529,446)	(240,202,443)	(111,830,157)	(1,290,516,162)
Net position	354,397,002	(56,457,503)	(24,040,563)	(75,249,104)	(275,146,290)	162,547,460	(56,784,419)	29,266,583

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

71. Financial risk management (continued)

71.3 Liquidity risk (continued)

Analysis of the remaining maturity of the financial assets and financial liabilities (continued)

Group (continued)

	As at December 31, 2019							
	Past due/ undated	On demand	Less than 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
Cash and balances with central banks	14,282,968	4,719,083	–	–	–	–	–	19,002,051
Deposits with banks and financial institutions	225,157	52,819,805	7,734,218	7,042,236	2,845,194	170,983	–	70,837,593
Placements with banks and financial institutions	–	–	9,196,767	1,177,215	778,318	–	–	11,152,300
Deposits with exchanges and others	1,323,359	–	–	–	–	–	–	1,323,359
Financial assets at fair value through profit or loss	308,932,315	6,718,282	2,740,196	3,446,859	11,633,424	77,756,863	936,644	412,164,583
Loans and advances to customers	2,789,490	21,037,238	12,279,822	23,689,184	73,428,974	155,886,832	48,747,524	337,859,064
Accounts receivable	1,253,545	553,021	30,112	150,401	14,705	400,941	–	2,402,725
Financial assets held under resale agreements	738,682	–	11,877,389	–	129,667	466,716	–	13,212,454
Financial assets at fair value through other comprehensive income	4,227,563	–	9,047,658	14,943,583	44,107,086	62,056,815	2,420,260	136,802,965
Financial assets at amortized cost	12,304,831	2,312,590	10,303,881	12,744,714	73,068,357	116,910,694	–	227,645,067
Assets held for sale	18,208,998	260,051	4,914,502	2,037,270	5,008,764	17,435,691	11,090,124	58,955,400
Other financial assets	5,455,473	1,905,655	3,194,443	3,847,532	360,071	95,993	238,588	15,097,755
Total financial assets	369,742,381	90,325,725	71,318,988	69,078,994	211,374,560	431,181,528	63,433,140	1,306,455,316
Borrowings from central bank	(986,058)	–	–	–	(24,802)	–	–	(1,010,860)
Accounts payable to brokerage clients	–	(3,086,905)	(11,233,439)	–	–	–	–	(14,320,344)
Due to customers	–	(93,941,836)	(41,405,382)	(53,517,292)	(78,641,877)	(7,389,881)	(309,498)	(275,205,766)
Deposits from banks and financial institutions	–	(978,458)	(502,550)	(6,429,782)	(3,090,727)	(3,150,835)	(4,776)	(14,157,128)
Placements from banks and financial institutions	–	–	(7,301,734)	(3,769,192)	(3,013,893)	–	–	(14,084,819)
Financial liabilities at fair value through profit or loss	(16,941)	(77,572)	(3,445,263)	(972,209)	(399,194)	(154,077)	–	(5,065,256)
Financial assets sold under repurchase agreements	–	(1,791,560)	(9,216,325)	(1,125,608)	(6,861,432)	(500,665)	–	(19,495,590)
Borrowings	–	–	(15,192,423)	(77,424,457)	(322,986,601)	(99,781,056)	(21,206,767)	(536,591,304)
Bonds issued	–	–	(102,137)	(10,879,118)	(70,407,570)	(113,752,923)	(109,707,818)	(304,849,566)
Accounts payable	(34,011)	(4,749,307)	(120,925)	(121,335)	(25,219)	–	–	(5,050,797)
Liabilities held for sale	(1,799,310)	–	–	(1,078)	(3,235)	(5,733,039)	(8,011,675)	(15,548,337)
Other financial liabilities	(3,772,588)	(12,930,919)	(9,643,807)	(189,011)	(4,997,731)	(3,142,732)	(612,205)	(35,288,993)
Total financial liabilities	(6,608,908)	(117,556,557)	(98,163,985)	(154,429,082)	(490,452,281)	(233,605,208)	(139,852,739)	(1,240,668,760)
Net position	363,133,473	(27,230,832)	(26,844,997)	(85,350,088)	(279,077,721)	197,576,320	(76,419,599)	65,786,556

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

71. Financial risk management (continued)

71.3 Liquidity risk (continued)

Analysis of the remaining maturity of the financial assets and financial liabilities (continued)

Company

	As at December 31, 2020							
	Past due/ undated	On demand	Less than 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
Cash and balances with central banks	–	2,667	–	–	–	–	–	2,667
Deposits with banks and financial institutions	–	14,617,312	3,925,849	5,198,792	4,582,752	–	–	28,324,705
Financial assets at fair value through profit or loss	265,714,407	1,803,909	2,207,570	3,390,675	10,147,922	63,693,233	582,818	347,540,534
Accounts receivable	1,605	219,501	199,951	–	–	384,360	–	805,417
Financial assets held under resale agreements	–	–	29,630,807	4,481,695	–	–	–	34,112,502
Amounts due from subsidiaries	4,673	3,588,296	6,472,486	4,022,829	4,907,647	8,335,300	–	27,331,231
Financial assets at fair value through other comprehensive income	3,443,371	–	499,291	2,565,011	–	9,889	1,496,756	8,014,318
Financial assets at amortized cost	13,711,586	–	2,824,853	11,077,677	74,176,797	80,745,580	32,661	182,569,154
Interests in consolidated structured entities	3,911,626	–	131,184	191,269	2,552,948	20,986,607	562,232	28,335,866
Other financial assets	2,354,428	463,269	600	13,137	1,224,834	142,470	–	4,198,738
Total financial assets	289,141,696	20,694,954	45,892,591	30,941,085	97,592,900	174,297,439	2,674,467	661,235,132
Borrowings from central bank	(986,058)	–	–	–	–	–	–	(986,058)
Financial liabilities at fair value through profit or loss	–	–	–	–	–	(204,201)	–	(204,201)
Borrowings	–	–	(29,061,288)	(50,694,412)	(313,242,670)	(50,969,974)	–	(443,968,344)
Bonds issued	–	–	–	(15,929,821)	(65,615,531)	(45,965,324)	(72,363,649)	(199,874,325)
Accounts payable	–	–	–	–	(1,000)	–	–	(1,000)
Other financial liabilities	(715,173)	(5,140,607)	–	–	(14,525)	–	–	(5,870,305)
Total financial liabilities	(1,701,231)	(5,140,607)	(29,061,288)	(66,624,233)	(378,873,726)	(97,139,499)	(72,363,649)	(650,904,233)
Net position	287,440,465	15,554,347	16,831,303	(35,683,148)	(281,280,826)	77,157,940	(69,689,182)	10,330,899

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

71. Financial risk management (continued)

71.3 Liquidity risk (continued)

Analysis of the remaining maturity of the financial assets and financial liabilities (continued)

Company (continued)

	As at December 31, 2019							
	Past due/ undated	On demand	Less than 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
Cash and balances with central banks	–	2,798	–	–	–	–	–	2,798
Deposits with banks and financial institutions	–	10,957,760	–	1,061,168	–	–	–	12,018,928
Financial assets at fair value through profit or loss	259,452,145	1,020,855	–	153,667	2,733,090	59,647,247	501,429	323,508,433
Accounts receivable	1,605	1,200	–	150,000	–	400,000	–	552,805
Financial assets held under resale agreements	–	–	10,479,747	–	–	–	–	10,479,747
Amounts due from subsidiaries	4,673	1,665,229	1,660,974	12,555,309	16,183,089	11,527,458	–	43,596,732
Financial assets at fair value through other comprehensive income	4,199,647	–	–	–	–	–	–	4,199,647
Financial assets at amortized cost	8,964,002	–	10,243,254	11,820,799	67,451,294	88,886,542	–	187,365,891
Interests in consolidated structured entities	3,571,236	–	–	1,205,059	1,190,735	11,878,497	545,467	18,390,994
Other financial assets	2,781,205	798,838	35,200	46,800	92,762	–	237,392	3,992,197
Total financial assets	278,974,513	14,446,680	22,419,175	26,992,802	87,650,970	172,339,744	1,284,288	604,108,172
Borrowings from central bank	(986,058)	–	–	–	–	–	–	(986,058)
Financial liabilities at fair value through profit or loss	–	–	–	(106,876)	(267,978)	(343,123)	–	(717,977)
Borrowings	–	–	(14,108,225)	(66,928,875)	(279,905,632)	(65,144,193)	–	(426,086,925)
Bonds issued	–	–	–	(1,270,857)	(53,067,368)	(38,688,619)	(61,889,972)	(154,916,816)
Other financial liabilities	(536,971)	(5,559,592)	–	–	(211,500)	–	–	(6,308,063)
Total financial liabilities	(1,523,029)	(5,559,592)	(14,108,225)	(68,306,608)	(333,452,478)	(104,175,935)	(61,889,972)	(589,015,839)
Net position	277,451,484	8,887,088	8,310,950	(41,313,806)	(245,801,508)	68,163,809	(60,605,684)	15,092,333

VI. EXPLANATORY NOTES (continued)

71. Financial risk management (continued)

71.4 Risk management of distressed assets

(i) Overview

Risk of distressed assets represents the potential loss that may arise from counterparty's failure to meet its obligation or changes in market conditions that lead to decline in asset value. Risk of distressed assets can also arise from operational failures due to unauthorized or inappropriate purchase, disposal or management activities, which result in the recoverable amount of the distressed assets lower than their carrying amounts.

Such distressed assets include acquisition-operation distressed assets, restructured distressed assets and equity instruments obtained through debt-to-equity swap.

(ii) Risk management of distressed debt assets

The Group exercises standardized management procedures, including project initiation, due diligence investigation, design and approval of recovery plan and continuous monitoring and management. The Group enhances its risk management by strengthening investigation, review and approval procedures before the recovery of distressed assets, and monitoring measures after the recovery of distressed assets; enhancing risk mitigation effect through collateral; and continuously upgrading the management system of distressed assets.

Specifically, the risks to which distressed debts financial assets at fair value through profit or loss mainly comprise valuation risk, legal title risk and to certain extent credit risk; while the risks to which distressed debts at amortized cost mainly comprise credit risk.

VI. EXPLANATORY NOTES (continued)

71. Financial risk management (continued)

71.4 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.

VI. EXPLANATORY NOTES (continued)

71. Financial risk management (continued)

71.4 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, credit risk arises in such situation. Credit risk represents the potential loss that may arise from the failure of a customer or counterparty's failure to meet its obligation. Characters of the credit risk management system of the Group include:

- Applying centralized policy and procedures throughout the Group;
- Enforce strict management system on the credentials of authorized supervisors; and
- Apply more stringent risk management rules and procedures, which include customer investigation, project evaluation, investigation and approval, project execution and post-event management for distressed assets at amortized cost.

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)

71. Financial risk management (continued)

71.4 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.71.1 Credit Risk.

VI. EXPLANATORY NOTES (continued)

71. Financial risk management (continued)

71.5 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, 2020 and 2019, the Company complied with the regulatory requirements on the minimum CAR.

VI. EXPLANATORY NOTES (continued)

72. 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.

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

72. Fair values of financial instruments (continued)

72.1 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			
	2020		2019	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets				
Financial assets at amortized cost				
– Distressed debt assets	176,506,416	170,475,461	186,435,373	181,988,931
– Other debt investments	43,726,540	43,565,315	41,209,694	41,185,327
Accounts receivable	3,255,410	3,216,272	2,402,725	2,368,981
Total	223,488,366	217,257,048	230,047,792	225,543,239
Financial liabilities				
Borrowings	(556,912,148)	(557,444,973)	(536,591,304)	(536,982,325)
Bonds issued	(355,777,530)	(358,033,552)	(304,849,566)	(310,212,174)
Total	(912,689,678)	(915,478,525)	(841,440,870)	(847,194,499)

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

72. Fair values of financial instruments (continued)

72.1 Fair values of financial assets and financial liabilities that are not measured at fair value on a recurring basis (continued)

Group (continued)

	As at December 31, 2020			
	Level 1	**Level 2**	**Level 3**	**Total**
Financial assets				
Financial assets at amortized cost				
– Distressed debt assets	**–**	**–**	**170,475,461**	**170,475,461**
– Other debt investments	**576,158**	**–**	**42,989,157**	**43,565,315**
Accounts receivable	**–**	**–**	**3,216,272**	**3,216,272**
Total	**576,158**	**–**	**216,680,890**	**217,257,048**
Financial liabilities				
Borrowings	**–**	**–**	**(557,444,973)**	**(557,444,973)**
Bonds issued	**–**	**(254,681,290)**	**(103,352,262)**	**(358,033,552)**
Total	**–**	**(254,681,290)**	**(660,797,235)**	**(915,478,525)**

	As at December 31, 2019			
	Level 1	Level 2	Level 3	Total
Financial assets				
Financial assets at amortized cost				
– Distressed debt assets	–	–	181,988,931	181,988,931
– Other debt investments	2,791,417	545,262	37,848,648	41,185,327
Accounts receivable	–	–	2,368,981	2,368,981
Total	2,791,417	545,262	222,206,560	225,543,239
Financial liabilities				
Borrowings	–	–	(536,982,325)	(536,982,325)
Bonds issued	–	(216,832,097)	(93,380,077)	(310,212,174)
Total	–	(216,832,097)	(630,362,402)	(847,194,499)

The fair values of the financial assets and financial liabilities included in Level 2 and Level 3 above have been determined in accordance with generally accepted pricing models based on a discounted cash flow analysis, with the most significant input being the discount rate that reflects the credit risk of counterparties.

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

72. Fair values of financial instruments (continued)

72.2 Fair values of financial assets and financial liabilities that are measured at fair value on a recurring basis

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of the reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined, including their fair value hierarchy, valuation technique(s) and key inputs used.

Group

Financial assets/ financial liabilities	Fair value as at December 31 2020	2019	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
1) Financial assets classified as at fair value through profit or loss	**446,916,674**	412,164,583				
Debt securities	**13,804,996**	11,566,108				
– Traded in stock exchanges	**4,820,544**	3,208,331	Level 1	• Quoted bid prices in an active market.	N/A	N/A
	328,674	–	Level 2	• Quoted market prices from dealers or independent pricing service vendors.	N/A	N/A
	9,622	–	Level 3	• Default rates of recovery.	• Expected recoverable amounts.	• The higher the expected recoverable amounts the higher the fair value.
– Traded in the inter-bank markets	**19,422**	–	Level 1	• Quoted bid prices in an active market.	N/A	N/A
	1,927,621	1,871,434	Level 2	• Quoted market prices from dealers or independent pricing service vendors.	N/A	N/A
– Traded over the counter	**5,468,774**	5,968,207				
– Traded in inactive markets	**1,230,339**	518,136	Level 3	• Discounted cash flows for the debt component and binomial option pricing model for the option component.	• Discount rates that correspond to the expected risk level.	• The lower the discount 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.	• Risk-free rates that are specific to the market. • Volatility rates that are in line with those of similar products.	• The lower the risk-free rate, the higher the fair value. • The higher the volatility rate, the higher the fair value.

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

72. Fair values of financial instruments (continued)

72.2 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 2020	2019	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
Equity investments listed or traded on exchanges	**13,561,934**	9,565,812				
Unrestricted listed equity investments	**9,992,025**	6,962,603				
– Manufacturing	**3,118,215**	2,734,171	Level 1	• Quoted bid prices in an active market.	N/A	N/A
	1,128,098	–	Level 3	• Comparable listed company method, comparable transaction cases, etc.	• Market multiplier. • Discount for lack of marketability (DLOM).	• The higher the market multiplier, the higher the fair value. • The lower the DLOM, the higher the fair value.
– Finance	**868,338**	1,056,873	Level 1	• Quoted bid prices in an active market.	N/A	N/A
– Leasing and commercial services	**239,052**	111,172	Level 1	• Quoted bid prices in an active market.	N/A	N/A
– Mining	**1,749,933**	566,009	Level 1	• Quoted bid prices in an active market.	N/A	N/A
– Transportation, warehousing and postal services	**791,012**	523,789	Level 1	• Quoted bid prices in an active market.	N/A	N/A
– Information transmission, software and information technology services	**162,828**	37,521	Level 1	• Quoted bid prices in an active market.	N/A	N/A
– Culture, sports and entertainment	**229,371**	491,174	Level 1	• Quoted bid prices in an active market.	N/A	N/A
– Scientific research, technical services and geological prospecting industry	**709,347**	–	Level 1	• Quoted bid prices in an active market.	N/A	N/A
– Health and social security industry	**96,721**	351,561	Level 1	• Quoted bid prices in an active market.	N/A	N/A
– Real estate	**153,207**	255,868	Level 1	• Quoted bid prices in an active market.	N/A	N/A
– Others	**745,903**	834,465	Level 1	• Quoted bid prices in an active market.	N/A	N/A

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

72. Fair values of financial instruments (continued)

72.2 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 2020	Fair value as at December 31 2019	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
Restricted listed equity investments	**3,569,909**	2,603,209	Level 3	• Option Pricing Model.	• Stock volatility.	• The lower the stock volatility, the higher the fair value.
– Manufacturing	**654,607**	56,387				
– Culture, sports and entertainment	**4,253**	12,090				
– Mining	**2,443,368**	1,922,423				
– Others	**467,681**	612,309				
Equity investments in unlisted companies	**49,474,894**	55,791,190				
	45,988,513	52,281,069	Level 3	• Comparable listed company method, comparable transaction cases, etc.	• Market multiplier.	• The higher the market multiplier, the higher the fair value.
					• Discount for lack of marketability (DLOM).	• The lower the DLOM, the higher the fair value.
	3,486,381	3,510,121	Level 3	• Income approach.	• Expected future cash flow.	• The higher the future cash flow, the higher the fair value.
					• Discount rates that correspond to the expected risk level.	• The lower the discount rate, the higher the fair value.

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

72. Fair values of financial instruments (continued)

72.2 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 2020	2019	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
Mutual funds	**108,997,761**	91,214,796				
– Mutual fund with open or active quotations	**9,293,021**	4,709,575	Level 1	• Quoted bid prices in an active market.	N/A	N/A
	9,361,671	8,367,469	Level 2	• Quoted market prices from dealers or independent pricing service vendors	N/A	N/A
– Investing in debt instruments	**59,016,549**	62,133,128	Level 3	• Discounted cash flow with future cash flow that are estimated based on expected recoverable amounts, discounted at rates that reflect management's best estimation of the expected risk level.	• Expected recoverable amounts. • Expected recovery date. • Discount rates that correspond to the expected risk level.	• The higher the recoverable amounts, the higher the fair value. • The earlier the recovery date, the higher the fair value. • The lower the discount rates, the higher the fair value.
– Investing in unrestricted listed equity	**592,870**	–	Level 1	• Quoted bid prices in an active market.	N/A	N/A
– Investing in restricted listed equity	**–**	531,089	Level 3	• Option Pricing Model.	• Stock volatility.	• The lower the stock volatility, the higher the fair value.
– Investing in other equity instruments	**30,733,650**	15,473,535	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.

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

72. Fair values of financial instruments (continued)

72.2 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 2020	2019	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
Debt instruments	**31,674,575**	28,148,647				
– Other debt instruments	**30,836,483**	27,403,982	Level 3	• Discounted cash flows with future cash flows that are estimated based on expected recoverable amounts, discounted at rates that reflect management's best estimation of the expected risk level.	• Expected recoverable amounts.	• The higher the recoverable amounts, the higher the fair value.
					• Expected recovery date.	• The earlier the recovery date, the higher the fair value.
					• Discount rates that correspond to the expected risk level.	• The lower the discount rates, the higher the fair value.
– Embedded derivatives debts	**838,092**	744,665	Level 3	• Discounted cash flows for the debt component and binomial option pricing model for the option component.	• Expected future cash flows.	• The higher the future cash flow, the higher the fair value.
					• Discount rates that correspond to the expected risk level.	• The lower the discount rate, the higher the fair value.
					• Stock price volatility.	• The higher stock price volatility, the higher the fair value.

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

72. Fair values of financial instruments (continued)

72.2 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 2020	Fair value as at December 31 2019	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
Derivative financial assets	**2,416,116**	619,316				
	225,262	483,894	Level 1	• Quoted bid prices in an active market.	N/A	N/A
	577,530	135,422	Level 2	• Valuation techniques based on market data including interest rates and foreign exchange rates.	N/A	N/A
	1,613,324	–	Level 3	• Discounted cash flows with future cash flows that are estimated based on expected recoverable amounts, discounted at rates that reflect management's best estimation of the expected risk level.[(i)]	• Expected recoverable amounts. • Expected recovery date. • Discount rates that correspond to the expected risk level.	• The higher the recoverable amounts, the higher the fair value. • The earlier the recovery date, the higher the fair value. • The lower the discount rates, the higher the fair value.
Interbank negotiate certificate of deposit	**–**	59,162	Level 2	• Quoted market prices from dealers or independent pricing service vendors.	N/A	N/A
Distressed debt assets	**198,746,185**	197,621,332	Level 3	• Discounted cash flows with future cash flows that are estimated based on expected recoverable amounts, discounted at rates that reflect management's best estimation of the expected risk level.	• Expected recoverable amounts. • Expected recovery date. • Discount rates that correspond to the expected risk level.	• The higher the recoverable amounts, the higher the fair value. • The earlier the recovery date, the higher the fair value. • The lower the discount rates, the higher the fair value.

(i) The fair values of the option contracts were calculated based on the difference between the put values as of the exercise date adjusted by the time value of money and the credit valuation adjustment; and the carrying values of the investment of the Group. The fair values of the forward contracts were calculated based on the difference between the forward settlement price, adjusted by the time value of money and the credit valuation adjustment; and the carrying values of the investment of the Group.

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

72. Fair values of financial instruments (continued)

72.2 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 2020	2019	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
Wealth management products	**2,344,900**	1,475,898	Level 3	• Discounted cash flow with future cash flows that are estimated based on expected recoverable amounts, discounted at rates that reflect management's best estimation of the expected risk level.	• Expected future cash flows. • Expected recovery date. • Discount rates that correspond to the expected risk level.	• The higher the future cash flow, the higher the fair value. • The earlier the recovery date, the higher the fair value. • The lower the discount rate, the higher the fair value.
Asset management plans	**1,351,141**	2,371,544				
– Investing in the portfolio with open or active quotations	**377,082**	597,354	Level 2	• Quoted market prices from dealers or independent pricing service vendors.	N/A	N/A
– Investing in debt instruments	**257,196**	495,159	Level 3	• Discounted cash flows with future cash flows that are estimated based on expected recoverable amounts, discounted at rates that reflect management's best estimation of the expected risk level.	• Expected future cash flows. • Expected recovery date. • Discount rates that correspond to the expected risk level.	• The higher the future cash flows, the higher the fair value. • The earlier the recovery date, the higher the fair value. • The lower the discount rate, the higher the fair value.
– Investing in equity instruments	**716,863**	1,279,031	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.

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

72. Fair values of financial instruments (continued)

72.2 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 2020	2019	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
Asset-backed securities	**756,174**	564,133	Level 3	• Discounted cash flows with future cash flows that are estimated based on expected recoverable amounts, discounted at rates that reflect management's best estimation of the expected risk level.	• Expected future cash flows. • Expected recovery date. • Discount rates that correspond to the expected risk level.	• The higher the future cash flows, the higher the fair value. • The earlier the recovery date, the higher the fair value. • The lower the discount rate, the higher the fair value.
Trust products and rights to trust assets	**23,732,087**	13,088,236				
– Investing in the portfolio with open or active market quotations	**215,366**	104,716	Level 2	• Quoted market prices from dealers or independent pricing service vendors.	N/A	N/A
– Investing in debt instruments	**20,867,860**	11,862,077	Level 3	• Discounted cash flows with future cash flows that are estimated based on expected recoverable amounts, discounted at rates that reflect management's best estimation of the expected risk level.	• Expected future cash flows. • Expected recovery date. • Discount rates that correspond to the expected risk level.	• The higher the future cash flows, the higher the fair value. • The earlier the recovery date, the higher the fair value. • The lower the discount rate, the higher the fair value.
– Investing in equity instruments	**2,648,861**	1,121,443	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.

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

72. Fair values of financial instruments (continued)

72.2 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 2020	Fair value as at December 31 2019	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
Others	**55,911**	78,409				
– Investing in the portfolio with open or active market quotations	**7,732**	8,229	Level 2	• Quoted market prices from dealers or independent pricing service vendors.	N/A	N/A
– Investing in debt instruments	**48,179**	70,180	Level 3	• Discounted cash flows with future cash flows that are estimated based on expected recoverable amounts, discounted at rates that reflect management's best estimation of the expected risk level.	• Expected future cash flows. • Expected recovery date. • Discount rates that correspond to the expected risk level.	• The higher the future cash flows, the higher the fair value. • The earlier the recovery date, the higher the fair value. • The lower the discount rate, the higher the fair value.
2) Loans and advances to customers at fair value through profit or loss						
– Loans and advances	**19,546,738**	15,007,348	Level 3	• Discounted cash flows with future cash flows that are estimated based on expected recoverable amounts, discounted at rates that reflect management's best estimation of the expected risk level.	• Expected recoverable amounts. • Expected recovery date. • Discount rates that correspond to the expected risk level.	• The higher the recoverable amounts, the higher the fair value. • The earlier the recovery date, the higher the fair value. • The lower the discount rates, the higher the fair value.

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

72. Fair values of financial instruments (continued)

72.2 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 2020	Fair value as at December 31 2019	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
3) Financial assets at fair value through other comprehensive income	**123,728,468**	136,802,965				
Debt investments at fair value through other comprehensive income	**119,255,383**	132,575,402				
Debt securities	**108,661,273**	114,934,931				
– Traded on stock exchanges	**21,737,439**	18,278,609	Level 1	• Quoted bid prices in an active market.	N/A	N/A
– Traded in inter-bank markets	**35,141,914**	32,854,503	Level 2	• Quoted market prices from dealers or independent pricing service vendors.	N/A	N/A
– Traded over the counter	**51,781,920**	63,801,819				
Interbank negotiate certificate of deposit	**10,594,110**	17,640,471	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	**4,473,085**	4,227,563				
Restricted listed equity investments	**4,427,545**	4,199,647				
– Manufacturing	**3,443,371**	4,199,647	Level 3	• Option pricing model.	• Stock volatility.	• The lower the stock volatility, the higher the fair value.
– Financial service	**984,174**	–	Level 3	• Option pricing model.	• Stock volatility.	• The lower the stock volatility, the higher the fair value.

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

72. Fair values of financial instruments (continued)

72.2 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 2020	2019	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
Unlisted equity instruments	**45,540**	27,916				
– Financial service	**45,540**	27,916	Level 3	• Income approach.	• Expected future cash flow. • Discount rates that correspond to the expected risk level.	• The higher the future cash flow, the higher the fair value. • The lower the discount rate, the higher the fair value.
4) Financial liabilities at fair value through profit or loss	**(7,276,909)**	(5,065,256)	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	**(1,616,565)**	(542,857)				
– Short positions in exchange fund bills and notes	**(5,597,737)**	(4,522,399)				
– Financing payables linked to stock index	**(62,607)**	–				

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

72. Fair values of financial instruments (continued)

72.2 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, 2020			
	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss	23,815,046	18,264,450	404,837,178	446,916,674
Loans and advances to customers	–	–	19,546,738	19,546,738
Financial assets at fair value through other comprehensive income	21,737,439	97,517,944	4,473,085	123,728,468
Total assets	45,552,485	115,782,394	428,857,001	590,191,880
Financial liabilities at fair value through profit or loss	–	(7,276,909)	–	(7,276,909)
Total liabilities	–	(7,276,909)	–	(7,276,909)

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

72. Fair values of financial instruments (continued)

72.2 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, 2019			
	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss	15,364,403	17,111,993	379,688,187	412,164,583
Loans and advances to customers	–	–	15,007,348	15,007,348
Financial assets at fair value through other comprehensive income	18,278,609	114,296,793	4,227,563	136,802,965
Total assets	33,643,012	131,408,786	398,923,098	563,974,896
Financial liabilities at fair value through profit or loss	–	(5,065,256)	–	(5,065,256)
Total liabilities	–	(5,065,256)	–	(5,065,256)

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

72. Fair values of financial instruments (continued)

72.2 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.

72.3 Reconciliation of Level 3 fair value measurements

Group

	Financial assets at FVTPL	Financial assets at FVOCI	Financial liabilities at FVTPL
As at January 1, 2020	379,688,187	4,227,563	–
Recognized in profit or loss	(1,968,615)	–	–
Recognized in other comprehensive income	–	(738,652)	–
Purchases	98,797,969	984,174	–
Settlements/disposals at cost	(68,073,771)	–	–
Transfer in Level 3	500	–	–
Transfer out from Level 3	(3,607,092)	–	–
As at December 31, 2020	404,837,178	4,473,085	–
Changes in unrealized gains or losses for the year included in profit or loss for assets held at the end of the year	(451,885)	–	–

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

72. Fair values of financial instruments (continued)

72.3 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, 2019	391,312,050	3,407,026	–
Recognized in profit or loss	5,894,746	–	–
Recognized in other comprehensive income	–	820,537	–
Purchases	103,129,638	–	–
Settlements/disposals at cost	(120,111,571)	–	–
Transfer out from Level 3	(536,676)	–	–
As at December 31, 2019	379,688,187	4,227,563	–
Changes in unrealized gains or losses for the year included in profit or loss for assets held at the end of the year	3,013,414	–	–

During the year ended December 31, 2020, 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, 2020 and 2019 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, 2020 and 2019 are presented in "unrealized gains are 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.

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

73. 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 2020
Cash consideration paid	**1,856**

Analysis of assets and liabilities of the subsidiaries acquired:

	Year ended December 31 2020
Current assets	**2**
Current liabilities	**590**

Net cash flows arising on acquisition:

	Year ended December 31 2020
Cash consideration paid	**1,856**
Cash and cash equivalents balances acquired	**2**
Net cash outflow	**1,854**

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

74. Disposal of subsidiaries

During the year, the Group disposed some subsidiaries. Apart from the disposal of Happy Life (Note VI.75), none of these disposals was considered individually significant to the Group's operating results and cash flows. The aggregated information of those individually insignificant disposals is set out below:

Consideration received:

	Year ended December 31 2020
Cash consideration received	**60,361**

Analysis of assets and liabilities of the subsidiaries disposed of:

	Year ended December 31 2020
Current assets	**1,194,946**
Current liabilities	**1,497,370**

Net cash flows arising on disposal:

	Year ended December 31 2020
Cash consideration received	**60,361**
Less: Cash and cash equivalents balances disposed of	**261**
Net cash inflow	**60,100**

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

75. Discontinued operation

On 13 December 2019, the Company entered into a Sale and Purchase Agreement with Champion Property & Casualty Insurance Co., Ltd. and Dongguan Communications Investment Group Co., Ltd.. The Company sold 50.995% of the equity interests held in Happy Life for RMB7.5 billion. The disposal was completed in July 2020 in accordance with the terms and conditions of the Sale and Purchase Agreement. Upon the completion, Happy Life ceased to be included in the consolidated financial statements as a subsidiary of the Group.

75.1 The results of the discontinued operation for the year

	Year ended December 31	
	2020	2019
Fair value changes on other financial instruments	**1,117,448**	2,475,453
Investment income	**226,146**	17,661
Net insurance premiums earned	**6,805,485**	8,205,596
Interest income	**525,766**	913,090
Commission and fee income	**29,519**	36,882
Other income and other net gains or losses	**10,660**	(14,814)
Total	**8,715,024**	11,633,868
Interest expense	**(144,048)**	(322,114)
Insurance costs	**(7,200,861)**	(9,015,980)
Commission and fee expense	**(653,089)**	(987,951)
Employee benefits	**(344,139)**	(653,977)
Taxes and surcharges	**(3,816)**	(7,105)
Depreciation and amortization expenses	**(4,913)**	(93,520)
Other expenses	**(110,044)**	(268,503)
Impairment losses on assets	**(1,440)**	(38,525)
Total	**(8,462,350)**	(11,387,675)

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

75. Discontinued operation (continued)

75.1 The results of the discontinued operation for the year (continued)

	Year ended December 31	
	2020	2019
Change in net assets attributable to other holders of consolidated structured entities	**–**	298
Profit before share of results of associates and joint ventures and tax	**252,674**	246,491
Share of results of associates and joint ventures	**12,947**	26,733
Profit before tax	**265,621**	273,224
Income tax (expense)/credit (1)	**(20,391)**	1,227,175
Profit for the year	**245,230**	1,500,399
Gain on disposal of the discontinued operation	**3,506,800**	–
Profit after tax for the year from the discontinued operation	**3,752,030**	1,500,399
Earnings per share attributable to equity holders of the Company from the discontinued operation (Expressed in RMB Yuan per share)		
– Basic	**0.10**	0.03
– Diluted	**0.10**	0.03

(1) In 2019, Happy Life was classified as held for sale, and the Group recognized deferred tax asset of approximately RMB1.2 billion due to deductible temporary difference resulted from cumulative losses of Happy Life.

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

75. Discontinued operation (continued)

75.2 Net cash flows from the discontinued operation

	Year ended December 31, 2020	2019
Operating	**(3,671,225)**	(4,099,742)
Investing	**3,591,476**	8,590,617
Financing	**(3,717)**	(4,533,478)
Net cash outflow	**(83,466)**	(42,603)

75.3 Gain on disposal of the discontinued operation

	Year ended December 31, 2020
Total consideration	**7,500,000**
Less: Net assets disposed of	**2,557,453**
Cumulative other comprehensive income reclassified to the statement of profit or loss	**235,640**
Tax effect of a discontinued operation	**1,200,107**
Gain on disposal of the discontinued operation	**3,506,800**

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

75. Discontinued operation (continued)

75.4 Net assets of Happy Life at the date of disposal

	At the date of disposal
Cash and balances with central banks	43
Deposits with banks and financial institutions	1,291,122
Deposits with exchanges and others	728
Financial assets at fair value through profit or loss	34,613,629
Financial assets held under resale agreements	1,174,743
Financial assets at fair value through other comprehensive income	13,241,266
Financial assets at amortized cost	6,651,337
Accounts receivable	337,022
Investment properties	124,399
Interests in associates and joint ventures	811,499
Property and equipment	118,973
Other intangible assets	44,192
Deferred tax assets	52,553
Other assets	2,248,297
Less: Accounts payable	36,490
Investment contract liabilities for policyholders	8,442,736
Insurance contract liabilities	38,864,239
Bonds issued	6,139,988
Deferred tax liabilities	48,320
Other liabilities	2,162,924
Net assets	5,015,106
Attributable to:	
Equity holders of the Company	2,557,453
Non-controlling interests	2,457,653

75.5 Net cash flows from the disposal of the discontinued operation

	Year ended December 31, 2020
Cash consideration received from disposal	7,500,000
Less: cash and cash equivalents balances disposed of	1,330,241
Net cash inflow from disposal	6,169,759

VII. EVENTS AFTER THE REPORTING PERIOD

1. Pursuant to the meeting of the Board of Directors on March 26, 2021, the proposal of the profit appropriations of the Company for the year ended December 31, 2020 is set out as follows:

   (1) An appropriation of RMB438,775 thousand to the statutory surplus reserve;

   (2) An appropriation of RMB477,137 thousand to the general reserve basing on risk assets as at December 31, 2020; and

   (3) A cash dividend distribution of RMB1.041 per 10 shares (tax inclusive), which is RMB3.973 billion in total in respect of the year.

   As at December 31, 2020, the statutory surplus reserve had been recognized as appropriation. The general reserve and the dividend will be recognized on the Company's and the Group's financial statements after the approval by shareholders in the forthcoming general meeting.

VIII. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements are approved and authorized by the Board of Directors on March 26, 2021.

Report on Review of Interim Condensed Consolidated Financial Statements

Ernst & Young
22/F, CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong

To the Board of Directors of China Cinda Asset Management Co., Ltd.
(Established in the People's Republic of China with limited liability)

Introduction

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

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

Scope of Review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34.

Ernst & Young
Certified Public Accountants

Hong Kong

August 27, 2021

Interim Condensed Consolidated Statement of Profit or Loss

For the six months ended June 30, 2021

(Amounts in thousands of RMB, unless otherwise stated)

	Notes IV	For the six months ended June 30,	
		2021	2020
		(Unaudited)	(Unaudited)
Continuing operations			
Income from distressed debt assets at amortized cost	1	**7,612,503**	9,105,570
Fair value changes on distressed debt assets	2	**8,272,908**	7,474,182
Fair value changes on other financial instruments	3	**4,770,635**	2,343,556
Investment income	4	**78,778**	317,483
Interest income	5	**12,055,581**	12,013,757
Revenue from sales of inventories	6	**4,534,356**	9,659,230
Commission and fee income	7	**2,462,233**	2,096,375
Net gains on disposal of subsidiaries, associates and joint ventures	8	**282,269**	1,197,216
Other income and other net gains or losses	9	**1,332,301**	1,612,494
Total		**41,401,564**	45,819,863
Interest expense	10	**(20,362,418)**	(19,922,104)
Employee benefits		**(3,133,968)**	(2,532,580)
Purchases and changes in inventories	6	**(3,841,255)**	(6,366,150)
Commission and fee expense		**(296,329)**	(296,774)
Taxes and surcharges		**(267,411)**	(245,732)
Depreciation and amortization expenses		**(1,026,562)**	(1,000,680)
Other expenses		**(1,486,700)**	(1,174,072)
Impairment losses on assets	11	**(3,179,382)**	(4,598,626)
Total		**(33,594,025)**	(36,136,718)

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

Interim Condensed Consolidated Statement of Profit or Loss

For the six months ended June 30, 2021

(Amounts in thousands of RMB, unless otherwise stated)

	Notes IV	For the six months ended June 30, 2021 (Unaudited)	2020 (Unaudited)
Change in net assets attributable to other holders of consolidated structured entities		**5,837**	(20,075)
Profit before share of results of associates and joint ventures and tax		**7,813,376**	9,663,070
Share of results of associates and joint ventures		**1,934,347**	1,050,056
Profit before tax from continuing operations		**9,747,723**	10,713,126
Income tax expense	12	**(2,670,824)**	(3,636,171)
Profit for the period from continuing operations		**7,076,899**	7,076,955

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

(Amounts in thousands of RMB, unless otherwise stated)

	Notes IV	For the six months ended June 30, 2021 (Unaudited)	2020 (Unaudited)
Discontinued operation			
Profit after tax for the period from a discontinued operation	55	**–**	268,669
Profit for the period		**7,076,899**	7,345,624
Profit attributable to:			
Equity holders of the Company		**6,687,405**	6,340,739
Non-controlling interests		**389,494**	1,004,885
		7,076,899	7,345,624
Earnings per share attributable to ordinary equity holders of the Company (Expressed in RMB Yuan per share)	13		
– Basic		**0.15**	0.17
– Diluted		**0.15**	0.17
Earnings per share attributable to ordinary equity holders of the Company from continuing operations (Expressed in RMB Yuan per share)	13		
– Basic		**0.15**	0.16
– Diluted		**0.15**	0.16

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

Interim Condensed Consolidated Statement of Comprehensive Income

For the six months ended June 30, 2021
(Amounts in thousands of RMB, unless otherwise stated)

	For the six months ended June 30,	
	2021 (Unaudited)	2020 (Unaudited)
Profit for the period	**7,076,899**	7,345,624
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 period	**123,693**	(176,684)
Amounts reclassified to profit or loss upon disposal	**(90,372)**	(17,669)
Amounts of profit or loss upon impairment	**16,925**	23,627
	50,246	(170,726)
Exchange differences arising on translation of foreign operations	**(479,151)**	318,100
Share of other comprehensive income of associates and joint ventures	**(144,619)**	(13,608)
Subtotal	**(573,524)**	133,766

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

(Amounts in thousands of RMB, unless otherwise stated)

	For the six months ended June 30,	
	2021 (Unaudited)	2020 (Unaudited)
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	**91,284**	(715,593)
Subtotal	**91,284**	(715,593)
Other comprehensive income for the period, net of income tax	**(482,240)**	(581,827)
Total comprehensive income for the period	**6,594,659**	6,763,797
Total comprehensive income attributable to:		
Equity holders of the Company	**6,221,545**	5,929,853
Non-controlling interests	**373,114**	833,944
	6,594,659	6,763,797

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

Interim Condensed Consolidated Statement of Financial Position

As at June 30, 2021

(Amounts in thousands of RMB, unless otherwise stated)

	Notes IV	As at June 30, 2021 (Unaudited)	As at December 31, 2020 (Audited)
Assets			
Cash and balances with central banks	15	**13,493,410**	15,375,048
Deposits with banks and financial institutions	16	**108,232,354**	87,953,563
Deposits with exchanges and others		**2,186,019**	1,946,984
Placements with banks and financial institutions	17	**23,471,087**	19,909,505
Financial assets at fair value through profit or loss	18	**453,928,901**	446,916,674
Financial assets held under resale agreements	19	**88,453,904**	36,241,153
Financial assets at fair value through other comprehensive income	20	**120,099,384**	123,728,468
Loans and advances to customers	21	**366,580,141**	353,456,297
Financial assets at amortized cost	22	**209,936,239**	220,232,956
Accounts receivable	23	**3,635,023**	3,255,410
Properties held for sale	24	**53,989,678**	48,892,723
Investment properties	25	**9,638,164**	9,180,878
Interests in associates and joint ventures		**72,298,867**	70,502,660
Property and equipment	28	**16,494,751**	17,224,542
Goodwill	29	**21,796,415**	22,043,558
Other intangible assets		**3,645,083**	3,801,384
Deferred tax assets	30	**9,513,315**	8,989,874
Other assets	31	**26,850,658**	28,431,971
Total assets		**1,604,243,393**	1,518,083,648

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

(Amounts in thousands of RMB, unless otherwise stated)

	Notes IV	As at June 30, 2021 (Unaudited)	As at December 31, 2020 (Audited)
Liabilities			
Borrowings from the central bank	32	**1,025,910**	986,058
Accounts payable to brokerage clients		**16,489,507**	16,583,847
Financial liabilities at fair value through profit or loss	33	**5,925,168**	7,276,909
Financial assets sold under repurchase agreements	34	**24,346,923**	15,990,678
Placements from banks and financial institutions	35	**12,800,045**	14,044,334
Borrowings	36	**579,614,654**	556,912,148
Due to customers	37	**296,068,592**	273,644,174
Deposits from banks and financial institutions	38	**14,477,174**	15,542,184
Accounts payable	39	**5,039,713**	4,886,693
Tax payable		**3,263,136**	4,751,823
Bonds issued	40	**380,668,477**	355,777,530
Contract liabilities	41	**23,164,548**	14,855,727
Deferred tax liabilities	30	**2,385,967**	2,412,778
Other liabilities	42	**43,138,929**	39,376,345
Total liabilities		**1,408,408,743**	1,323,041,228

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

Interim Condensed Consolidated Statement of Financial Position

As at June 30, 2021
(Amounts in thousands of RMB, unless otherwise stated)

	Notes IV	As at June 30, 2021 (Unaudited)	As at December 31, 2020 (Audited)
Equity			
Share capital	43	**38,164,535**	38,164,535
Other equity instruments	44	**21,281,215**	21,281,215
Capital reserve	45	**19,901,790**	20,409,660
Other comprehensive income	46	**(1,703,274)**	(1,237,414)
Surplus reserve		**8,948,922**	8,948,922
General reserve	47	**16,380,109**	15,665,320
Retained earnings		**69,849,106**	68,876,486
Equity attributable to equity holders of the Company		**172,822,403**	172,108,724
Non-controlling interests		**23,012,247**	22,933,696
Total equity		**195,834,650**	195,042,420
Total equity and liabilities		**1,604,243,393**	1,518,083,648

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

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

CHAIRMAN

PRESIDENT

Interim Condensed Consolidated Statement of Changes in Equity

For the six months ended June 30, 2021
(Amounts in thousands of RMB, unless otherwise stated)

	(Unaudited) Equity attributable to equity holders of the Company									
	Share capital (Note IV.43)	Other equity instruments (Note IV.44)	Capital reserve (Note IV.45)	Other comprehensive income (Note IV.46)	Surplus reserve	General reserve (Note IV.47)	Retained earnings	Subtotal	Non-controlling interests	Total
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 period	-	-	-	-	-	-	6,687,405	6,687,405	389,494	7,076,899
Other comprehensive income for the period	-	-	-	(465,860)	-	-	-	(465,860)	(16,380)	(482,240)
Total comprehensive income for the period	-	-	-	(465,860)	-	-	6,687,405	6,221,545	373,114	6,594,659
Acquisition of additional interests in subsidiaries	-	-	-	-	-	-	-	-	(17,051)	(17,051)
Disposal of subsidiaries	-	-	-	-	-	-	-	-	(16,994)	(16,994)
Appropriation to general reserve	-	-	-	-	-	714,789	(714,789)	-	-	-
Dividends recognized as distribution	-	-	-	-	-	-	(4,999,996)	(4,999,996)	-	(4,999,996)
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	(66,511)	(66,511)
Dividends paid to capital securities	-	-	-	-	-	-	-	-	(194,007)	(194,007)
Share of associates' equity changes other than comprehensive income and distribution	-	-	(507,870)	-	-	-	-	(507,870)	-	(507,870)
As at June 30, 2021	38,164,535	21,281,215	19,901,790	(1,703,274)	8,948,922	16,380,109	69,849,106	172,822,403	23,012,247	195,834,650

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

Interim Condensed Consolidated Statement of Changes in Equity

For the six months ended June 30, 2021

(Amounts in thousands of RMB, unless otherwise stated)

	(Unaudited)									
	Equity attributable to equity holders of the Company									
	Share capital (Note IV.43)	Other equity instruments (Note IV.44)	Capital reserve (Note IV.45)	Other comprehensive income (Note IV.46)	Surplus reserve	General reserve (Note IV.47)	Retained earnings	Subtotal	Non-controlling interests	Total
As at January 1, 2020	38,164,535	21,281,215	20,239,333	(35,688)	8,510,147	15,961,421	60,777,160	164,898,123	23,512,338	188,410,461
Profit for the period	–	–	–	–	–	–	6,340,739	6,340,739	1,004,885	7,345,624
Other comprehensive income for the period	–	–	–	(410,886)	–	–	–	(410,886)	(170,941)	(581,827)
Total comprehensive income for the period	–	–	–	(410,886)	–	–	6,340,739	5,929,853	833,944	6,763,797
Capital contribution from non-controlling interests of subsidiaries	–	–	43,069	–	–	–	–	43,069	1,290,431	1,333,500
Acquisition of additional interests in a subsidiary	–	–	117,339	–	–	–	–	117,339	(172,274)	(54,935)
Amounts reversed from the general reserve	–	–	–	–	–	(331,032)	331,032	–	–	–
Dividends recognized as distribution	–	–	–	–	–	–	(3,915,681)	(3,915,681)	–	(3,915,681)
Dividends paid to non-controlling interests	–	–	–	–	–	–	–	–	(279,111)	(279,111)
Dividends paid to capital securities	–	–	–	–	–	–	–	–	(210,942)	(210,942)
Share of associates' equity changes other than comprehensive income and distribution	–	–	127,258	–	–	–	–	127,258	–	127,258
As at June 30, 2020	38,164,535	21,281,215	20,526,999	(446,574)	8,510,147	15,630,389	63,533,250	167,199,961	24,974,386	192,174,347

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

Interim Condensed Consolidated Statement of Cash Flows

For the six months ended June 30, 2021
(Amounts in thousands of RMB, unless otherwise stated)

	For the six months ended June 30,	
	2021 (Unaudited)	2020 (Unaudited)
OPERATING ACTIVITIES		
Profit before tax from continuing operations	**9,747,723**	10,713,126
Profit before tax from a discontinued operation	**–**	296,520
Adjustments for:		
Impairment losses on assets	**3,179,382**	4,599,434
Depreciation of property and equipment, investment properties and right-of-use assets	**837,203**	814,760
Amortization of intangible assets and other long-term assets	**189,359**	185,920
Share of results of associates and joint ventures	**(1,934,347)**	(1,063,003)
Net gains on disposal of property and equipment, investment properties and other intangible assets	**(70,647)**	(42,502)
Net gains on disposal of subsidiaries, associates and joint ventures	**(282,269)**	(1,197,216)
Fair value changes on financial assets	**(5,451,848)**	(3,628,271)
Investment income	**(80,277)**	(543,349)
Interest income	**(1,260,569)**	(4,412,016)
Borrowing costs	**7,969,566**	8,686,070
Change in reserves for insurance contracts	**–**	(3,350,477)

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

Interim Condensed Consolidated Statement of Cash Flows

For the six months ended June 30, 2021
(Amounts in thousands of RMB, unless otherwise stated)

	For the six months ended June 30,	
	2021 (Unaudited)	2020 (Unaudited)
Operating cash flows before movements in working capital	**12,843,276**	11,058,996
Increase in balances with central banks and deposits with banks and financial institutions	**(4,600,117)**	(1,400,763)
(Increase)/decrease in financial assets at fair value through profit or loss	**(12,568,730)**	12,456,338
(Increase)/decrease in placements with banks and financial institutions	**(1,887,851)**	726,157
Decrease/(increase) in financial assets held under resale agreements	**262,251**	(492,770)
Decrease/(increase) in financial assets at amortized cost	**8,914,944**	(8,621,387)
Increase in loans and advances to customers	**(14,142,183)**	(13,224,045)
Increase in accounts receivable	**(483,389)**	(29,229)
(Increase)/decrease in properties held for sale	**(3,214,472)**	3,523,695
Increase in due to customers and deposits from banks and financial institutions	**21,359,408**	3,693,746
(Decrease)/increase in accounts payable to brokerage clients	**(94,340)**	2,464,822
Increase/(decrease) in financial assets sold under repurchase agreements	**8,548,329**	(4,518,807)
Increase/(decrease) in borrowings	**32,021,876**	(1,139,569)
Increase/(decrease) in accounts payable	**153,020**	(1,234,045)
Increase/(decrease) in contract liabilities	**8,308,821**	(1,897,565)
Decrease in other operating assets	**3,437,617**	7,272,761
Increase/(decrease) in other operating liabilities	**7,218,397**	(14,154,418)
Cash inflow/(outflow) from operations	**66,076,857**	(5,516,083)
Income taxes paid	**(3,763,903)**	(3,695,438)
NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES	**62,312,954**	(9,211,521)

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

(Amounts in thousands of RMB, unless otherwise stated)

	For the six months ended June 30,	
	2021 (Unaudited)	2020 (Unaudited)
INVESTING ACTIVITIES		
Cash receipts from disposals and recovery of investment securities	**72,627,070**	113,006,245
Dividends received from investment securities	**6,424,805**	4,672,592
Dividends received from associates and joint ventures	**98,542**	357,710
Interest received from investment securities	**1,260,569**	1,985,129
Cash receipts from disposals of property and equipment, investment properties and other intangible assets	**80,509**	73,795
Net cash flows from disposals of subsidiaries	**1,537**	–
Net cash flows from disposals of associates and joint ventures	**1,146,553**	1,582,250
Cash payments to acquire investment securities	**(80,107,340)**	(114,598,104)
Net cash inflows due to acquisition of subsidiaries	**179,802**	–
Net cash flows from consolidated structured entities	**(82,347)**	(741,405)
Cash payments for purchase of property and equipment, investment properties and other intangible assets	**(545,375)**	(4,036,817)
Cash payments for establishment and acquisition of interests in associates and joint ventures	**(2,253,147)**	(168,801)
NET CASH (OUTFLOW)/INFLOW FROM INVESTING ACTIVITIES	**(1,168,822)**	2,132,594

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

(Amounts in thousands of RMB, unless otherwise stated)

	For the six months ended June 30,	
	2021 (Unaudited)	2020 (Unaudited)
FINANCING ACTIVITIES		
Capital contribution from non-controlling interests of subsidiaries of the Company	**–**	1,333,500
Cash payment to acquire additional interests in subsidiaries	**(17,051)**	(54,935)
Cash receipts from borrowings raised	**18,256,447**	15,112,083
Cash receipts from bonds issued	**92,824,957**	83,027,690
Cash repayments of borrowings	**(29,749,214)**	(16,502,931)
Cash repayments of bonds	**(65,701,810)**	(50,783,199)
Interest expenses on borrowings and bonds	**(8,696,473)**	(9,009,071)
Dividends paid to non-controlling interests of subsidiaries	**(199,518)**	(489,373)
Cash payments for other financing activities	**(455,922)**	(559,434)
NET CASH INFLOW FROM FINANCING ACTIVITIES	**6,261,416**	22,074,330

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

(Amounts in thousands of RMB, unless otherwise stated)

	Notes IV	For the six months ended June 30, 2021 (Unaudited)	For the six months ended June 30, 2020 (Unaudited)
NET INCREASE IN CASH AND CASH EQUIVALENTS		**67,405,548**	14,995,403
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD		**120,733,347**	82,749,337
Effect of foreign exchange changes		**(1,469,386)**	1,607,962
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	48	**186,669,509**	99,352,702
Net cash flows from operating activities include:			
Interest received		**10,795,012**	8,104,148
Interest paid		**12,387,015**	11,398,344

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

I. GENERAL 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 June 30, 2021, the MOF directly owned 58.00% of the share capital of the Company.

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

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

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

(Amounts in thousands of RMB, unless otherwise stated)

II. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

1. Basis of preparation

The interim condensed consolidated financial statements have been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting" and the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange.

The interim condensed financial statements have been prepared on a going concern basis.

The interim condensed consolidated financial statements of the Group do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Group's consolidated financial statements for the year ended December 31, 2020.

The interim condensed 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.

2. Principal accounting policies

Except as described below, the accounting policies and methods of computation used in the interim condensed consolidated financial statements for the six months ended June 30, 2021 are the same as those followed in the preparation of the Group's consolidated financial statements for the year ended December 31, 2020.

3. Standards and amendments effective in 2021

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

IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Amendments	Interest Rate Benchmark Reform Phase 2
IFRS 16 Amendments	Covid-19-Related Rent Concessions beyond 30 June 2021

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

(Amounts in thousands of RMB, unless otherwise stated)

II. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (continued)

4. Standards and amendments that are not yet effective in 2021

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

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

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

III. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION

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

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

IV. 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 IV.22 Financial assets at amortized cost).

For the six months ended June 30, 2021, the net gain on the derecognition of distressed debt assets at amortized cost was RMB591 million (For the six months ended June 30, 2020: nil).

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 period (see Note IV.18 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.

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

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 IV.18 Financial assets at fair value through profit or loss and Note IV.33 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 six months ended June 30, 2021 and 2020, the fair value changes on financial liabilities at fair value through profit or loss were insignificant.

	For the six months ended June 30,	
	2021 (Unaudited)	2020 (Unaudited)
Financial instruments classified as at fair value through profit or loss	**4,770,635**	2,343,556
Total	**4,770,635**	2,343,556

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

4. Investment income

	For the six months ended June 30,	
	2021 (Unaudited)	2020 (Unaudited)
Net realized gains/(losses) on disposal of		
– Financial assets at fair value through other comprehensive income	**74,932**	312,720
– Loans and advances to customers at amortized cost	**(1,499)**	(5,161)
– Other debt assets at amortized cost (1)	**–**	3,544
Dividend income from		
– Financial assets at fair value through other comprehensive income	**1,037**	1,311
Others	**4,308**	5,069
Total	**78,778**	317,483

(1) For the six months ended June 30, 2021, there was no income from derecognition of other debt assets at amortized cost (for the six months ended June 30, 2020, all the net gains recognized from derecognition of other debt assets at amortized cost resulted from disposing of bonds).

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

5. Interest income

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

	For the six months ended June 30,	
	2021 (Unaudited)	2020 (Unaudited)
Loans and advances to customers		
– Corporate and personal loans and advances	**6,296,150**	6,819,665
– Finance lease receivables	**1,534,431**	1,192,485
– Loans to margin clients	**331,161**	264,677
Other debt investments at amortized cost	**1,233,689**	1,079,578
Financial assets at fair value through other comprehensive income	**1,145,349**	1,477,743
Financial assets held under resale agreements	**668,085**	111,091
Deposits with banks and financial institutions	**632,454**	735,765
Placements with banks and financial institutions	**111,298**	205,278
Others	**102,964**	127,475
Total	**12,055,581**	12,013,757

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

6. Revenue from sales of inventories and purchases and changes in inventories

	For the six months ended June 30,	
	2021 (Unaudited)	2020 (Unaudited)
Revenue from sales of inventories	**4,534,356**	9,659,230
Purchases and changes in inventories	**(3,841,255)**	(6,366,150)
Including:		
Revenue from sales of properties held for sale	**4,277,566**	9,564,783
Purchases and changes in properties held for sale	**(3,594,817)**	(6,275,377)
Gross profit from sales of properties held for sale	**682,749**	3,289,406
Revenue from other trading operations	**256,790**	94,447
Purchases and changes in inventories of other trading operations	**(246,438)**	(90,773)
Gross profit from other trading operations	**10,352**	3,674

Timing of recognition of revenue from sales of properties held for sale:

	For the six months ended June 30,	
	2021 (Unaudited)	2020 (Unaudited)
Revenue recognized at a point in time		
Sales of properties held for sale	**4,277,566**	9,564,783

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

6. Revenue from sales of inventories and purchases and changes in inventories (continued)

The amounts of transaction prices allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at June 30 are as follows:

	For the six months ended June 30,	
	2021 (Unaudited)	2020 (Unaudited)
Amounts expected to be recognised as revenue:		
Within one year	**15,817,144**	12,978,398
After one year	**7,188,208**	5,635,796
Total	**23,005,352**	18,614,194

7. Commission and fee income

	For the six months ended June 30,	
	2021 (Unaudited)	2020 (Unaudited)
Securities and futures brokerage	**632,329**	550,910
Fund and asset management business	**469,854**	353,599
Agency business	**414,835**	322,216
Banking business	**387,094**	461,448
Trustee services	**205,063**	167,860
Consultancy and financial advisory services	**123,169**	80,232
Securities underwriting	**81,808**	122,705
Others	**148,081**	37,405
Total	**2,462,233**	2,096,375

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

8. Net gains on disposal of subsidiaries, associates and joint ventures

	For the six months ended June 30,	
	2021 (Unaudited)	2020 (Unaudited)
Net gains on disposal of subsidiaries	**6,281**	–
Net gains on disposal of associates and joint ventures	**275,988**	1,197,216
Total	**282,269**	1,197,216

9. Other income and other net gains or losses

	For the six months ended June 30,	
	2021 (Unaudited)	2020 (Unaudited)
Income from liquidated damages	**564,455**	161,512
Rental income	**431,774**	366,364
Revenue from hotel operation	**205,995**	61,726
Revenue from property management business	**159,475**	144,243
Net gains on disposal of other assets	**70,647**	43,708
Government grants and compensation	**43,996**	63,472
Net gains on exchange differences	**(365,466)**	700,740
Others	**221,425**	70,729
Total	**1,332,301**	1,612,494

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

10. Interest expense

	For the six months ended June 30,	
	2021 (Unaudited)	2020 (Unaudited)
Borrowings	**(11,449,236)**	(10,532,423)
Bonds issued	**(6,990,587)**	(6,500,564)
Due to customers	**(1,577,078)**	(2,465,082)
Deposits from banks and financial institutions	**(123,602)**	(64,379)
Financial assets sold under repurchase agreements	**(74,801)**	(97,503)
Placements from banks and other financial institutions	**(54,348)**	(100,437)
Accounts payable to brokerage clients	**(27,353)**	(24,733)
Lease liabilities	**(18,486)**	(17,424)
Others	**(46,927)**	(119,559)
Total	**(20,362,418)**	(19,922,104)

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

11. Impairment losses on assets

	For the six months ended June 30,	
	2021 (Unaudited)	2020 (Unaudited)
Financial assets at amortized cost		
– Distressed debt assets	**(877,226)**	(2,940,987)
– Other debt investments	**(48,187)**	(69,434)
Loans and advances to customers	**(1,802,279)**	(1,527,101)
Properties held for sales	**(203,750)**	(27,917)
Credit commitments	**(180,448)**	(84,837)
Accounts receivable	**(38,489)**	130,418
Property and equipment	**(20,731)**	–
Assets in satisfaction of debts	**(14,196)**	(14,496)
Financial assets at fair value through other comprehensive income	**(10,709)**	(19,792)
Financial assets held under resale agreements	**51,246**	(61,940)
Other assets	**(34,613)**	17,460
Total	**(3,179,382)**	(4,598,626)

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

12. Income tax expense

	For the six months ended June 30,	
	2021 (Unaudited)	2020 (Unaudited)
Current income tax:		
– PRC Enterprise Income Tax	**(2,637,574)**	(2,902,477)
– PRC Land Appreciation Tax	**(109,171)**	(740,556)
– Hong Kong Profits Tax	**(211,578)**	(219,732)
– Overseas taxation	**(274)**	(591)
(Underprovision)/Overprovision in prior years	**(109,295)**	121,022
Subtotal	**(3,067,892)**	(3,742,334)
Deferred income tax (Note IV.30)	**397,068**	106,163
Total	**(2,670,824)**	(3,636,171)

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

Hong Kong Profits Tax was calculated at 16.5% (for the six months ended June 30, 2020: 16.5%) of the estimated assessable profit for the period.

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

13. Earnings per share attributable to equity holders of the Company

The calculation of basic and diluted earnings per share is as follows:

	For the six months ended June 30,	
	2021 (Unaudited)	2020 (Unaudited)
Earnings:		
Profit attributable to equity holders of the Company:	**6,687,405**	6,340,739
Continuing operations	**6,687,405**	6,189,011
Discontinued operation	**–**	151,728
Profit attributable to equity holders of the Company	**6,687,405**	6,340,739
Less: Dividends on preference shares declared	**1,027,068**	–
Profit attributable to ordinary equity holders of the Company	**5,660,337**	6,340,739
Profit attributable to ordinary equity holders of the Company from continuing operations	**5,660,337**	6,189,011
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)	**0.15**	0.17
Diluted earnings per share (RMB Yuan)	**0.15**	0.17
Basic earnings per share from continuing operations (RMB Yuan)	**0.15**	0.16
Diluted earnings per share from continuing operations (RMB Yuan)	**0.15**	0.16

There were no potentially dilutive shares outstanding for the six months ended June 30, 2021 and June 30, 2020.

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

14. Dividends

	For the six months ended June 30,	
	2021 (Unaudited)	2020 (Unaudited)
Final dividends of 2020	**3,972,928**	–
Final dividends of 2019	**–**	3,915,681
Dividends recognized as distribution during the period	**3,972,928**	3,915,681

A cash dividend of approximately RMB3,972.93 million in total for the year of 2020 was approved, after the required appropriations for the general reserve on the net profit of the Company for the year of 2020 as determined under China Accounting Standards, at the annual general meeting for 2020 held on June 30, 2021.

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

15. Cash and balances with central banks

	As at June 30, 2021 (Unaudited)	As at December 31, 2020 (Audited)
Cash	**492,496**	527,358
Mandatory reserve deposits with central banks (1)	**8,773,565**	7,854,243
Surplus reserve deposits with central banks	**1,529,028**	4,405,397
Other deposits with central banks	**2,698,321**	2,588,050
Total	**13,493,410**	15,375,048
Including:		
Restricted		
– Balances with central banks	**8,834,832**	7,972,114

(1) In accordance with relevant regulations, Nanyang Commercial Bank, Limited, a subsidiary of the 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 June 30, 2021, the mandatory deposits were calculated at 9% of customer deposits denominated in RMB (December 31, 2020: 9%) and 7% of customer deposits denominated in foreign currencies (December 31, 2020: 5%). Mandatory reserve deposits are not available for use by the Group in its daily operations.

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

16. Deposits with banks and financial institutions

	As at June 30, 2021 (Unaudited)	As at December 31, 2020 (Audited)
Deposits with banks		
– House accounts	**91,533,356**	71,245,503
– Cash held on behalf of clients	**12,608,859**	12,891,950
Clearing settlement funds		
– House accounts	**630,503**	442,731
– Clients	**2,792,893**	2,679,062
Deposits with other financial institutions		
– House accounts	**675,236**	711,243
Interest receivable	**59,013**	47,359
Subtotal	**108,299,860**	88,017,848
Less: Allowance for impairment losses	**67,506**	64,285
Total	**108,232,354**	87,953,563
Including:		
Restricted	**34,097,802**	28,453,655

Pledged bank deposits represent deposits that have been pledged to secure bank borrowings. As at June 30, 2021, the Group had no pledged bank deposits (December 31, 2020: RMB300.00 million).

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

16. Deposits with banks and financial institutions (continued)

The Group's clearing settlement funds bear interest at prevailing market interest rates and mainly deposited in the China Securities Depository and Clearing Corporation Limited. As at June 30, 2021, the Group's restricted clearing settlement funds amounted to RMB2,792.89 million (December 31, 2020: RMB2,679.06 million).

As at June 30, 2021, the Group's deposits with banks and financial institutions in Stage I, II and III amounted to RMB108,236.59 million, nil and RMB63.27 million, respectively (December 31, 2020: RMB87,954.58 million, nil and RMB63.27 million, respectively). The allowance for impairment losses amounted to RMB4.24 million, nil and RMB63.27 million, respectively (December 31, 2020: RMB1.02 million, nil and RMB63.27 million, respectively).

17. Placements with banks and financial institutions

	As at June 30, 2021 (Unaudited)	As at December 31, 2020 (Audited)
Banks	**23,049,036**	19,890,230
Other financial institutions	**500,000**	100,000
Interest receivable	**12,145**	5,715
Subtotal	**23,561,181**	19,995,945
Less: Allowance for impairment losses	**90,094**	86,440
Total	**23,471,087**	19,909,505

As at June 30, 2021, the Group's placements with banks and financial institutions in Stage I, II and III amounted to RMB23,475.47 million, nil and RMB85.71 million, respectively (December 31, 2020: RMB19,910.23 million, nil and RMB85.71 million, respectively). The allowance for impairment losses on placements with banks and financial institutions in Stage I, II and III amounted to RMB4.38 million, nil and RMB85.71 million, respectively (December 31, 2020: RMB0.73 million, nil and RMB85.71 million, respectively).

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

18. Financial assets at fair value through profit or loss

	As at June 30, 2021 (Unaudited)	As at December 31, 2020 (Audited)
Financial assets classified as at fair value through profit or loss		
Listed investments:		
Equity investments	**13,939,603**	13,561,934
Debt securities		
– Government bonds	**11,306,341**	5,579,784
– Public sector and quasi-government bonds	**10,239**	10,341
– Financial institution bonds	**97,149**	–
– Corporate bonds	**12,900,619**	6,278,631
Funds	**10,336,009**	7,295,378
Corporate convertible bonds	**215,939**	123,082
Subtotal	**48,805,899**	32,849,150
Unlisted investments:		
Distressed debt assets	**200,841,511**	198,746,185
Funds	**92,611,535**	101,702,383
Equity investments	**50,817,421**	49,474,894
Debt instruments	**27,752,629**	31,674,575
Trust products and asset management plans	**26,825,343**	25,083,228
Security investments	**2,649,033**	2,569,332
Derivative financial assets (1)	**2,234,576**	2,416,116
Wealth management products	**1,335,131**	2,344,900
Others	**55,823**	55,911
Subtotal	**405,123,002**	414,067,524
Total	**453,928,901**	446,916,674

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

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

(1) Derivative financial instruments

	As at June 30, 2021 (Unaudited)			As at December 31, 2020 (Audited)		
	Contractual/ Notional amount	Fair value Assets	Fair value Liabilities	Contractual/ Notional amount	Fair value Assets	Fair value Liabilities
Exchange rate derivatives						
Currency forwards and swaps, and cross-currency interest rate swaps	88,524,368	486,262	(415,107)	84,471,580	561,471	(1,053,077)
Currency options	2,566,505	42,092	(27,810)	4,204,646	97,215	(88,077)
Subtotal	91,090,873	528,354	(442,917)	88,676,226	658,686	(1,141,154)
Interest rate derivatives						
Interest rate swaps	144,100,281	130,863	(336,480)	146,410,467	143,535	(460,036)
Equity derivatives (i)	9,655,837	1,563,210	–	7,598,893	1,613,324	(12,243)
Commodity derivatives and others	495,959	12,149	(14,404)	66,014	571	(3,132)
Total	245,342,950	2,234,576	(793,801)	242,751,600	2,416,116	(1,616,565)

(i) Please refer to Note IV.54.2 Fair values of financial assets and financial liabilities that are measured at fair value on a recurring basis for the fair value measurement of equity derivatives.

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

19. Financial assets held under resale agreements

	As at June 30, 2021 (Unaudited)	As at December 31, 2020 (Audited)
By collateral type		
Bonds	**87,254,941**	35,117,764
Stocks	**1,404,839**	1,499,720
Interest receivable	**88,944**	41,775
Subtotal	**88,748,724**	36,659,259
Less: Allowance for impairment losses	**294,820**	418,106
Total	**88,453,904**	36,241,153

As at June 30, 2021, the Group's assets held under resale agreements in Stage I, II and III amounted to RMB88,315.27 million, RMB3.17 million and RMB430.28 million, respectively (As at December 31, 2020: RMB36,094.17 million, RMB3.17 million and RMB561.92 million, respectively). The allowance for impairment losses in Stage I, II and III amounted to RMB4.16 million, RMB0.03 million and RMB290.63 million, respectively (As at December 31, 2020: RMB11.45 million, RMB0.16 million and RMB406.50 million, respectively).

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

20. Financial assets at fair value through other comprehensive income

	As at June 30, 2021 (Unaudited)	As at December 31, 2020 (Audited)
Debt investments at fair value through other comprehensive income		
Debt securities		
– Government bonds	**41,540,988**	40,320,392
– Public sector and quasi-government bonds	**5,223,564**	4,856,989
– Financial institution bonds	**33,830,618**	34,772,123
– Corporate bonds	**32,498,932**	27,692,655
Certificates of deposit	**1,466,660**	10,484,628
Interest receivable	**945,036**	1,128,596
Subtotal	**115,505,798**	119,255,383
Equity investments designated as at fair value through other comprehensive income		
Equity instruments	**4,593,586**	4,473,085
Subtotal	**4,593,586**	4,473,085
Total	**120,099,384**	123,728,468

As at June 30, 2021, the Group's debt investments at fair value through other comprehensive income in Stage I, II and III amounted to RMB114,820.86 million, nil and RMB148.60 million, respectively (December 31, 2020: RMB118,591.28 million, nil and RMB150.05 million, respectively). The allowance for impairment losses amounted to RMB80.93 million, nil and RMB148.60 million, respectively (December 31, 2020: RMB71.41 million, nil and RMB150.05 million, respectively).

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

20. Financial assets at fair value through other comprehensive income (continued)

As at June 30, 2021, the Group's equity investments at fair value through other comprehensive income amounted to RMB4,593.59 million (December 31, 2020: RMB4,473.09 million). The above equity investments were irrevocably designated as at fair value through other comprehensive income as the Group considers these investments to be strategic in nature. For the six months ended June 30, 2021, the Group received dividends at the amount of RMB1.04 million (for the six months ended June 30, 2020: RMB1.31 million) from equity investments designated as at fair value through other comprehensive income.

21. Loans and advances to customers

	As at June 30, 2021 (Unaudited)	As at December 31, 2020 (Audited)
At amortized cost		
Corporate loans and advances		
– Loans and advances	**238,395,431**	231,519,952
– Discounted bills	**755,722**	555,932
Personal loans and advances		
– Mortgages	**29,974,392**	27,332,895
– Personal consumption loans	**21,288,254**	21,239,038
Loans to margin clients	**10,343,397**	9,706,705
Finance lease receivables	**53,452,136**	48,645,645
Subtotal	**354,209,332**	339,000,167
Interest accrued	**2,009,519**	2,395,050
Total loans and advances to customers at amortized cost	**356,218,851**	341,395,217

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

21. Loans and advances to customers (continued)

	As at June 30, 2021 (Unaudited)	As at December 31, 2020 (Audited)
At fair value through profit or loss		
Corporate loans and advances	**19,022,010**	19,546,738
Total loans and advances to customers	**375,240,861**	360,941,955
Less: Allowance for impairment losses on loans and advances to customers at amortized cost	**8,660,720**	7,485,658
Net loans and advances to customers	**366,580,141**	353,456,297

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

21. Loans and advances to customers (continued)

Loans and advances at amortized cost are as follows:

	Stage I (12-month ECLs)	Stage II (Lifetime ECLs)	Stage III (Lifetime ECLs-impaired)	Total
As at June 30, 2021				
Gross loans and advances	**338,700,219**	**9,456,654**	**8,061,978**	**356,218,851**
Less: Allowances for impairment losses	**2,685,790**	**2,368,150**	**3,606,780**	**8,660,720**
Net loans and advances to customers	**336,014,429**	**7,088,504**	**4,455,198**	**347,558,131**

	Stage I (12-month ECLs)	Stage II (Lifetime ECLs)	Stage III (Lifetime ECLs-impaired)	Total
As at December 31, 2020				
Gross loans and advances	324,629,534	11,056,135	5,709,548	341,395,217
Less: Allowances for impairment losses	2,351,618	1,948,428	3,185,612	7,485,658
Net loans and advances to customers	322,277,916	9,107,707	2,523,936	333,909,559

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

21. Loans and advances to customers (continued)

The movements of allowance for loans and advances to customers are as follows:

	For the six months ended June 30, 2021			
	Stage I (12-month ECLs)	Stage II (Lifetime ECLs)	Stage III (Lifetime ECLs-impaired)	Total
As at January 1	2,351,618	1,948,428	3,185,612	7,485,658
Convert to Stage I	30,610	(30,610)	–	–
Convert to Stage II	(112,177)	112,181	(4)	–
Convert to Stage III	(29,261)	(634,448)	663,709	–
Impairment losses recognized	974,534	539,942	340,254	1,854,730
Impairment losses reversed	(492,720)	(178,941)	(190,691)	(862,352)
Stage conversion	(23,868)	635,537	198,232	809,901
Write-off and transfer out	–	(22,538)	(639,655)	(662,193)
Recovery of loans and advances written-off in previous years	–	–	83,901	83,901
Unwinding of discount on allowance	–	–	(13,081)	(13,081)
Exchange differences	(12,946)	(1,401)	(21,497)	(35,844)
As at June 30	2,685,790	2,368,150	3,606,780	8,660,720

The gross carrying amount of loans and advances to customers transferred from Stage III or Stage II to Stage I due to the modification of the contractual cash flows for the six months ended June 30, 2021 was not significant.

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

21. Loans and advances to customers (continued)

	2020			
	Stage I (12-month ECLs)	Stage II (Lifetime ECLs)	Stage III (Lifetime ECLs-impaired)	Total
As at January 1	2,681,287	2,211,544	3,377,581	8,270,412
Convert to Stage I	413,534	(413,522)	(12)	–
Convert to Stage II	(245,012)	391,014	(146,002)	–
Convert to Stage III	(26,367)	(980,474)	1,006,841	–
Impairment losses recognized	1,164,557	270,741	2,024,648	3,459,946
Impairment losses reversed	(1,228,124)	(188,004)	(306,789)	(1,722,917)
Stage conversion	(378,731)	709,039	632,023	962,331
Write-off and transfer out	–	(40,062)	(3,432,309)	(3,472,371)
Recovery of loans and advances written-off in previous years	–	–	94,542	94,542
Unwinding of discount on allowance	–	–	(18,182)	(18,182)
Exchange differences	(29,526)	(11,848)	(46,729)	(88,103)
As at December 31	2,351,618	1,948,428	3,185,612	7,485,658

The gross carrying amount of loans and advances to customers transferred from Stage III or Stage II to Stage I due to the modification of the contractual cash flows in the year of 2020 was not significant.

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

21. Loans and advances to customers (continued)

Finance lease receivables are analyzed as follows:

	As at June 30, 2021 (Unaudited)	As at December 31, 2020 (Audited)
Minimum finance lease receivables:		
Within 1 year (inclusive)	**21,602,934**	20,048,878
1 year to 2 years (inclusive)	**15,517,041**	14,262,674
2 years to 3 years (inclusive)	**9,796,727**	8,024,371
3 years to 4 years (inclusive)	**5,520,643**	4,313,437
4 years to 5 years (inclusive)	**3,358,247**	3,605,488
Over 5 years	**3,531,969**	4,175,985
Gross amount of finance lease receivables	**59,327,561**	54,430,833
Less: Unearned finance income	**5,875,425**	5,785,188
Subtotal	**53,452,136**	48,645,645

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

21. Loans and advances to customers (continued)

	As at June 30, 2021 (Unaudited)	As at December 31, 2020 (Audited)
Interest accrued	**266,662**	249,832
Net amount of finance lease receivables	**53,718,798**	48,895,477
Less: Allowance for impairment losses	**2,291,812**	2,317,846
Carrying amount of finance lease receivables	**51,426,986**	46,577,631
Present value of minimum lease receivables:		
Within 1 year (inclusive)	**19,567,418**	18,060,685
1 year to 2 years (inclusive)	**14,036,466**	12,891,251
2 years to 3 years (inclusive)	**8,967,154**	7,239,074
3 years to 4 years (inclusive)	**4,919,304**	3,712,478
4 years to 5 years (inclusive)	**3,101,917**	3,308,055
Over 5 years	**3,126,539**	3,683,934
Total	**53,718,798**	48,895,477
Including:		
Finance lease receivables pledged for borrowings	**5,963,674**	3,354,728

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

22. Financial assets at amortized cost

	As at June 30, 2021 (Unaudited)	As at December 31, 2020 (Audited)
Distressed debt assets		
– Acquired from financial institutions	**6,603,898**	5,889,582
– Acquired from non-financial institutions	**170,126,495**	181,520,507
Subtotal	**176,730,393**	187,410,089
Interest accrued	**4,738,789**	5,621,172
Gross of distressed debt assets	**181,469,182**	193,031,261
Less: Allowance for impairment losses	**16,154,712**	16,524,845
Net of distressed debt assets	**165,314,470**	176,506,416
Other debt investments	**45,348,143**	44,704,861
Interest accrued	**570,961**	1,099,705
Gross of other debt investments	**45,919,104**	45,804,566
Less: Allowance for impairment losses	**1,297,335**	2,078,026
Net of other debt investments	**44,621,769**	43,726,540
Total	**209,936,239**	220,232,956

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

22. Financial assets at amortized cost (continued)

Distressed debt assets are as follows:

	Stage I (12-month ECLs)	**Stage II (Lifetime ECLs)**	**Stage III (Lifetime ECLs-impaired)**	**Total**
As at June 30, 2021				
Gross distressed debt assets	**136,268,012**	**37,314,587**	**7,886,583**	**181,469,182**
Less: Allowance for impairment losses	**5,403,272**	**7,330,039**	**3,421,401**	**16,154,712**
Net distressed debt assets	**130,864,740**	**29,984,548**	**4,465,182**	**165,314,470**

	Stage I (12-month ECLs)	Stage II (Lifetime ECLs)	Stage III (Lifetime ECLs-impaired)	Total
As at December 31, 2020				
Gross distressed debt assets	142,993,369	42,304,988	7,732,904	193,031,261
Less: Allowance for impairment losses	5,575,629	7,690,661	3,258,555	16,524,845
Net distressed debt assets	137,417,740	34,614,327	4,474,349	176,506,416

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

22. Financial assets at amortized cost (continued)

The movements of allowance for distressed debt assets are as follows:

	For the six months ended June 30, 2021			
	Stage I (12-month ECLs)	Stage II (Lifetime ECLs)	Stage III (Lifetime ECLs-impaired)	Total
As at January 1	**5,575,629**	**7,690,661**	**3,258,555**	**16,524,845**
Convert to Stage I	**245,713**	**(245,713)**	**–**	**–**
Convert to Stage II	**(170,449)**	**170,449**	**–**	**–**
Convert to Stage III	**–**	**(518,369)**	**518,369**	**–**
Impairment losses recognized	**1,826,550**	**624,481**	**505,273**	**2,956,304**
Impairment losses reversed	**(2,161,690)**	**(654,844)**	**–**	**(2,816,534)**
Stage conversion	**87,519**	**263,374**	**386,563**	**737,456**
Write-off and transfer out	**–**	**–**	**(1,045,606)**	**(1,045,606)**
Unwinding of discount on allowance	**–**	**–**	**(201,753)**	**(201,753)**
As at June 30	**5,403,272**	**7,330,039**	**3,421,401**	**16,154,712**

	2020			
	Stage I (12-month ECLs)	Stage II (Lifetime ECLs)	Stage III (Lifetime ECLs-impaired)	Total
As at January 1	5,767,608	2,403,302	3,339,700	11,510,610
Convert to Stage I	–	–	–	–
Convert to Stage II	(754,554)	754,554	–	–
Convert to Stage III	(30,335)	(334,484)	364,819	–
Impairment losses recognized	3,064,381	2,776,089	570,499	6,410,969
Impairment losses reversed	(2,357,182)	(205,030)	(373,350)	(2,935,562)
Stage conversion	–	2,308,500	1,875,986	4,184,486
Write-off and transfer out	(114,289)	(12,270)	(2,460,916)	(2,587,475)
Unwinding of discount on allowance	–	–	(58,183)	(58,183)
As at December 31	5,575,629	7,690,661	3,258,555	16,524,845

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

23. Accounts receivable

	As at June 30, 2021 (Unaudited)	As at December 31, 2020 (Audited)
Accounts receivable relating to equity assets	**1,091,389**	1,156,676
Accounts receivable from sales of properties	**1,014,837**	1,002,444
Receivable brokerage business	**568,113**	329,755
Commission and fee receivables	**453,270**	380,343
Trade receivables	**218,737**	17,013
Accounts receivable relating to distressed debt assets	**32,804**	226,712
Others	**504,145**	353,164
Gross of accounts receivable	**3,883,295**	3,466,107
Less: Allowance for impairment losses	**248,272**	210,697
Net of accounts receivable	**3,635,023**	3,255,410

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

23. Accounts receivable (continued)

The aging analysis of accounts receivable relating to distressed debt assets and debt-to-equity swap assets is as follows:

	As at June 30, 2021 (Unaudited)				As at December 31, 2020 (Audited)			
	Gross amount	%	Impairment	Carrying amount	Gross amount	%	Impairment	Carrying amount
Within 1 year (inclusive)	**6,042**	**1**	**–**	**6,042**	212,154	34	–	212,154
1 year to 2 years (inclusive)	**12,203**	**3**	**–**	**12,203**	14,558	2	–	14,558
2 years to 3 years (inclusive)	**14,558**	**3**	**–**	**14,558**	–	–	–	–
Over 3 years	**400,008**	**93**	**(15,640)**	**384,368**	400,008	64	(15,640)	384,368
Total	**432,811**	**100**	**(15,640)**	**417,171**	626,720	100	(15,640)	611,080

The movements of allowance for impairment losses are as follows:

	For the six months ended June 30, 2021 (Unaudited)	For the year ended December 31, 2020 (Audited)
At beginning of the period/year	**210,697**	277,512
Impairment losses recognized	**42,912**	90,915
Impairment losses reversed	**(4,423)**	(154,845)
Amounts written off and transferred out	**(914)**	(2,885)
At end of the period/year	**248,272**	210,697

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

24. Properties held for sale

	As at June 30, 2021 (Unaudited)	As at December 31, 2020 (Audited)
Completed properties	**17,344,163**	13,515,329
Properties under development	**38,867,956**	37,453,058
Others	**15,005**	13,993
Subtotal	**56,227,124**	50,982,380
Less: Allowance for impairment losses	**2,237,446**	2,089,657
Total	**53,989,678**	48,892,723
Including:		
Pledged for borrowings	**15,497,513**	20,628,453

IV. EXPLANATORY NOTES (continued)

25. Investment properties

For the six months ended June 30, 2021, the Group acquired investment properties with an aggregate amount of RMB452.30 million at cost (for the six months ended June 30, 2020: RMB3,683.34 million), and disposed of investment properties with an aggregate amount of RMB10.47 million at net book value (for the six months ended June 30, 2020: RMB17.67 million).

As at June 30, 2021, the net book value of investment properties which the Group pledged for borrowings amounted to RMB2,428.30 million (December 31, 2020: RMB3,151.11 million).

As at June 30, 2021, the value of investment properties for which the Group has not obtained certificates of land use rights or certificates of property ownership was nil (December 31, 2020: nil).

26. Interests in consolidated structured entities

The Group had consolidated certain structured entities including private equity funds, trusts, asset management plans, mutual funds. The judgments used by the Group to determine whether control exists are the same as those that are applied to the consolidated financial statements for the year ended December 31, 2020.

The financial impact of each of the private equity funds, trusts, asset management plans, mutual funds on the Group's financial position as at June 30, 2021 and December 31, 2020, and results and cash flows for the six months ended June 30, 2021 and the year ended December 31, 2020, though consolidated, is not significant individually and therefore not disclosed separately.

Interests held by other holders are presented as change in net assets attributable to other holders of consolidated structured entities in the interim condensed consolidated statement of profit or loss and included in other liabilities in the interim condensed consolidated statement of financial position as set out in Note IV.42 Other liabilities.

IV. EXPLANATORY NOTES (continued)

27. Interests in unconsolidated structured entities

Structured entities over which the Group had power by virtue of the Group serving as general partner, manager or trustee during the period include private equity funds, mutual funds, trusts, asset management plans, wealth management products and asset-backed securities. Except for the structured entities over which the Group has consolidated as detailed in Note IV.26 Interests in consolidated structured entities, in the opinion of the directors of the Company, the variable returns to which the Group is exposed over the structured entities that the Group has interests in are not significant nor the Group has the control over these entities. The Group therefore did not consolidate these structured entities.

28. Property and equipment

For the six months ended June 30, 2021, the Group acquired property and equipment with an aggregate amount of RMB51.95 million at cost (for the six months ended June 30, 2020: RMB324.88 million), and disposed of property and equipment with an aggregate amount of RMB2.95 million at net book value (for the six months ended June 30, 2020: RMB13.60 million).

As at June 30, 2021, the Group's construction in progress amounted to RMB41.10 million (December 31, 2020: RMB20.44 million).

As at June 30, 2021, the Group's property for which the Group has not obtained a certificate of property ownership amounted to RMB517.92 million (December 31, 2020: RMB530.66 million).

As at June 30, 2021, the net book value of property and equipment which the Group pledged for borrowings amounted to RMB2,216.48 million (December 31, 2020: RMB2,002.79 million).

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

29. Goodwill

	As at June 30, 2021 (Unaudited)	As at December 31, 2020 (Audited)
Carrying amount		
At beginning of the period/year	**23,281,626**	24,683,406
Disposal of subsidiaries	**–**	(310)
Exchange differences	**(247,143)**	(1,401,470)
At end of the period/year	**23,034,483**	23,281,626
Allowance for impairment losses		
At beginning of the period/year	**(1,238,068)**	(1,134,844)
Disposal of subsidiaries	**–**	310
Change for the period/year	**–**	(103,534)
At end of the period/year	**(1,238,068)**	(1,238,068)
Net book value		
At beginning of the period/year	**22,043,558**	23,548,562
At end of the period/year	**21,796,415**	22,043,558

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

30. Deferred taxation

For the purpose of presentation in the interim condensed consolidated statement of financial position, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances:

	As at June 30, 2021 (Unaudited)	As at December 31, 2020 (Audited)
Deferred tax assets		
– Continuing operations	**9,513,315**	8,989,874
– Discontinued operation	**–**	–
Deferred tax liabilities		
– Continuing operations	**(2,385,967)**	(2,412,778)
– Discontinued operation	**–**	–
Deferred taxation	**7,127,348**	6,577,096

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

30. Deferred taxation (continued)

The movements of deferred tax assets and deferred tax liabilities are set out below:

	(Unaudited)													
	Allowance for impairment losses	Withholding land appreciation tax	Asset revaluation	Fair value adjustments in business combination	Staff costs accrued but not paid	Interest capitalized on properties held for sale	Tax losses	Provisions	Changes in fair value of financial assets at FVTPL	Temporary differences related to the cost of associates and joint ventures (i)	Changes in fair value and impairment losses on financial assets at FVOCI	Unrealized loss due to income rights transfer	Others	Total
As at January 1, 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	(166,002)	6,577,096
Credit/(charge) to profit or loss	(142,978)	(54,178)	15,877	49,258	115,387	(13,683)	27,243	44,266	365,434	(216,938)	(105)	(7,651)	215,136	397,068
Charge to other comprehensive income/(expense)	-	-	-	-	-	-	-	-	-	48,214	(49,869)	-	-	(1,655)
Acquisition of subsidiaries	-	-	-	(41,018)	-	-	-	-	-	-	-	-	-	(41,018)
Others	27,335	-	8,470	6,324	(243)	-	-	(38)	(6,549)	169,290	912	-	(9,644)	195,857
As at June 30, 2021	7,927,839	483,308	(899,706)	(895,919)	1,254,181	689,335	297,644	146,568	2,146,188	(4,896,663)	153,717	681,366	39,490	7,127,348

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

30. Deferred taxation (continued)

The movements of deferred tax assets and deferred tax liabilities are set out below: (continued)

	(Audited)														
	Allowance for impairment losses	Withholding land appreciation tax	Asset revaluation	Fair value adjustments in business combination	Staff costs accrued but not paid	Interest capitalized on properties held for sale	Tax losses	Provisions	Changes in fair value of financial assets at FVTPL	Temporary differences related to the cost of associates and joint ventures (i)	Changes in fair value and impairment losses on financial assets at FVOCI	Unrealized loss due to income rights transfer	Discontinued operation	Others	Total
As at January 1, 2020	6,702,675	388,147	(953,580)	(980,723)	1,134,472	644,986	474,584	96,785	264,196	(4,346,589)	(26,137)	762,684	1,210,439	295,412	5,667,351
Credit/(charge) to profit or loss	1,353,418	149,339	(18,963)	34,061	2,731	58,032	(204,183)	5,734	1,461,920	(439,383)	105	(73,667)	(1,220,498)	(498,834)	609,812
Charge to other comprehensive income/(expense)	–	–	–	–	3,185	–	–	–	–	(68,836)	224,213	–	20,391	–	178,953
Discontinued operation	–	–	–	–	–	–	–	–	–	–	–	–	(10,332)	–	(10,332)
Others	(12,611)	–	48,490	36,179	(1,351)	–	–	(179)	61,187	(42,421)	4,598	–	–	37,420	131,312
As at December 31, 2020	8,043,482	537,486	(924,053)	(910,483)	1,139,037	703,018	270,401	102,340	1,787,303	(4,897,229)	202,779	689,017	–	(166,002)	6,577,096

(i) The temporary differences related to the costs of associates and joint ventures are temporary differences arising from the difference between the book value and the tax base for the associates and joint ventures not held for a long term by the Group.

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

31. Other assets

	As at June 30, 2021 (Unaudited)	As at December 31, 2020 (Audited)
Assets in satisfaction of debts	**10,356,024**	9,915,677
Other receivables	**7,207,957**	6,962,884
Prepayments	**2,344,861**	5,207,409
Prepaid taxes	**1,489,010**	1,350,602
Right-of-use assets	**1,457,255**	1,084,271
Dividends receivable	**1,302,123**	1,313,729
Notes receivable	**928,465**	1,352,198
Interest receivable	**861,287**	240,716
Precious metals	**310,093**	329,657
Long-term prepaid expenses	**206,548**	212,469
Assets with continuing involvement (Note IV.50)	**143,257**	142,470
Others	**243,778**	319,889
Total	**26,850,658**	28,431,971

32. Borrowings from the central bank

	As at June 30, 2021 (Unaudited)	As at December 31, 2020 (Audited)
Borrowings from the central bank	**1,025,910**	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 and the re-discount of the central bank.

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

33. Financial liabilities at fair value through profit or loss

	As at June 30, 2021 (Unaudited)	As at December 31, 2020 (Audited)
Short positions in exchange fund bills and notes	**4,823,471**	5,597,737
Derivative financial liabilities (Note IV.18.(1))	**793,801**	1,616,565
Financing payables linked to stock index	**307,896**	62,607
Total	**5,925,168**	7,276,909

34. Financial assets sold under repurchase agreements

	As at June 30, 2021 (Unaudited)	As at December 31, 2020 (Audited)
By collateral type:		
Debt securities	**24,339,533**	15,981,904
Subtotal	**24,339,533**	15,981,904
Interest payable	**7,390**	8,774
Total	**24,346,923**	15,990,678

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

35. Placements from banks and financial institutions

	As at June 30, 2021 (Unaudited)	As at December 31, 2020 (Audited)
Banks	**10,434,188**	13,367,506
Other financial institutions	**2,362,190**	664,494
Subtotal	**12,796,378**	14,032,000
Interest payable	**3,667**	12,334
Total	**12,800,045**	14,044,334

36. Borrowings

	As at June 30, 2021 (Unaudited)	As at December 31, 2020 (Audited)
Borrowings from banks and financial institutions		
Unsecured loans	**540,785,175**	522,480,108
Loans secured by properties	**10,043,298**	10,719,652
Other secured loans	**25,324,600**	20,685,552
Subtotal	**576,153,073**	553,885,312
Interest payable	**3,461,581**	3,026,836
Total	**579,614,654**	556,912,148

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

36. Borrowings (continued)

Loans secured by properties were collateralized by properties held for sale, property and equipment and investment properties at an aggregate carrying amount of RMB20,142 million as at June 30, 2021 (December 31, 2020: RMB26,082 million). Other secured loans were finance lease receivables and interests in associates and joint ventures at an aggregate carrying amount of RMB5,964 million as at June 30, 2021 (December 31, 2020: RMB4,889 million). The variable rates of borrowings used by the Group were floating based on the benchmark interest rates of deposits or loans published by the People's Bank of China, Hong Kong Inter-bank Offered Rate ("HIBOR"), London Inter-bank Offered Rate ("LIBOR") or Loan Prime Rate ("LPR").

The ranges of effective interest rates per annum (which are also equal to contractual interest rates) on the Group's borrowings are as follows:

	As at June 30, 2021 (Unaudited)	As at December 31, 2020 (Audited)
Fixed-rate borrowings	**1.09%-23.00%**	1.20%-23.00%
Variable-rate borrowings	**0.49%-6.60%**	0.36%-6.65%

37. Due to customers

	As at June 30, 2021 (Unaudited)	As at December 31, 2020 (Audited)
Demand deposits		
Corporate	**50,169,986**	55,155,266
Personal	**51,535,514**	48,794,211
Time deposits		
Corporate	**107,141,743**	82,949,416
Personal	**72,663,683**	72,746,366
Guarantee deposits	**13,530,364**	12,759,611
Subtotal	**295,041,290**	272,404,870
Interest payable	**1,027,302**	1,239,304
Total	**296,068,592**	273,644,174

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

38. Deposits from banks and financial institutions

	As at June 30, 2021 (Unaudited)	As at December 31, 2020 (Audited)
Banks	**2,468,046**	2,111,840
Other financial institutions	**11,784,788**	13,306,772
Subtotal	**14,252,834**	15,418,612
Interest payable	**224,340**	123,572
Total	**14,477,174**	15,542,184

39. Accounts payable

	As at June 30, 2021 (Unaudited)	As at December 31, 2020 (Audited)
Accounts payable associated with real estate business (1)	**3,501,936**	4,259,205
Asset purchase payable	**865,000**	1,000
Others	**672,777**	626,488
Total	**5,039,713**	4,886,693

(1) Accounts payable associated with real estate business mainly comprise construction costs payable to contractors.

No aging analysis is disclosed, as in the opinion of the directors of the Company, the aging analysis of these items does not give additional value to the users of the condensed interim financial statements in view of the nature of these items.

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

40. Bonds issued

Bond Type	Notes	As at June 30, 2021 Face Value	Currency	Term	Bond Rate/ Expected Return Rate	Book Value (Unaudited)	As at December 31, 2020 Book Value (Audited)
Asset-backed Securities		127,060,269	CNY	4 months-18 years	1.80%-7.00%	126,630,222	102,944,587
Financial Bonds		110,000,000	CNY	3-10 years	2.85%-5.50%	111,778,456	111,834,030
USD Guaranteed Senior Notes	(1)	13,445,000	USD	3-30 years	1.25%-5.625%	87,269,150	75,062,023
Corporate Bonds	(2)(3)(4)	21,871,768	CNY	3-8 years	3.18%-5.50%	21,922,749	22,571,051
Mid-term Notes	(5)	8,940,000	CNY	3-5 years	2.99%-5.00%	9,084,853	8,132,321
Tier-II Capital Bonds	(6)	8,000,000	CNY	5 years	3.70%-4.50%	8,200,210	18,216,741
Subordinate Notes	(7)	700,000	USD	10 years	3.80%	4,515,802	4,558,650
Debt Financing Plans		2,984,000	CNY	2 years-3 years	3.90%-6.37%	3,006,798	2,993,370
Beneficiary Certificates		2,867,290	CNY	1 month-2 years	2.70%-4.60%	2,935,179	4,099,790
Subordinate Bonds	(8)	2,600,000	CNY	3 years	4.55%-4.64%	2,663,193	2,681,478
Certificates of Deposit		1,090,000	CNY	3 months-1 year	2.95%-3.30%	1,077,128	646,028
Asset-backed Notes		810,000	CNY	6 years	5.50%	775,175	834,197
Certificates of Deposit		120,000	USD	9 months-1 year	0.37%-1.32%	774,394	1,158,950
HKD Bonds	(9)	42,000	HKD	5-9 years	4.00%	35,168	44,314
Total						380,668,477	355,777,530

(1) China Cinda Financial Co., Ltd., a subsidiary of China Cinda (Hong Kong) Holdings Company Limited ("Cinda Hong Kong"), issued a total face value of USD3,045 million of USD Guaranteed Senior Notes (the "USD Notes") in Hong Kong in May 2014, December 2017 and February 2019. The USD Notes have fixed coupon rates, payable semiannually. 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 RMB11,375 million in August 2016, 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. The issuer adjusted the coupon rate and the investors sold back part of the bonds in August 2019.

IV. EXPLANATORY NOTES (continued)

40. Bonds issued (continued)

(3) Cinda Real Estate Co., Ltd. ("Cinda Real Estate"), a subsidiary of Cinda Investment, issued corporate bonds with a face value of RMB3,000 million in total in March 2016. 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. The issuer adjusted the coupon rate and the investors sold back part of the bonds in March 2019. Cinda Real Estate issued corporate bonds with a face value of RMB4,900 million in total in 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 second year. The issuer adjusted the coupon rate and the investors sold back part of the bonds in January and May of 2021. Cinda Real Estate issued corporate bonds with a face value of RMB3,740 million in total in January and March of 2021. 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. Cinda Real Estate issued corporate bonds with a face value of RMB2,060 million in total in January and March of 2021. 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.

(4) Well Kent International Enterprises (Shenzhen) Co., Ltd., a subsidiary of Cinda Hong Kong, issued a corporate bond with a face value of RMB600 million in April 2016. The bond has 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. The issuer adjusted the coupon rate and the investors sold back part of the bonds in April 2019. Well Kent International Enterprises (Shenzhen) Co., Ltd. issued a corporate bond with a total face value of RMB2,000 million in March 2020 and May 2020. The bond has fixed coupon rate, payable annually, with the issuer's option to adjust the coupon rate and the investor's option to sell back at the end of the third year.

(5) Cinda Investment issued a medium-term note with a face value of RMB2,000 million in April 2020, with fixed coupon rate, payable annually, with the issuer's option to adjust the coupon rate and the investor's option to sell back at the end of the third year.

(6) The tier-II capital bonds issued by the Company have a fixed coupon rate, payable annually and are 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) The subordinate notes issued by Nanyang Commercial Bank, Limited, a subsidiary of Cinda Hong Kong, have fixed coupon rate, payable semiannually. The coupon rate will be reset at the end of the fifth year.

(8) The subordinate bonds issued by Cinda Securities Co., Ltd. ("Cinda Securities"), a subsidiary of the Company, have fixed coupon rate, payable annually.

(9) Cinda International Holding Limited ("Cinda International"), a subsidiary of Cinda Securities, issued Hong Kong dollar bonds ("HKD bonds") with a face value of HKD32 million in total in 2014, with fixed coupon rates, payable annually. The issuer and investors have the option to extend the maturity date at the end of the fifth year. In July and September 2019, the investors extended the bond maturity date by 24 months through exercising the extension option. Cinda International 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 and September 2020, the investors extended the bond maturity date twice by 24 months through exercising the extension option. Cinda International issued HKD bonds with a face value of HKD10 million in March 2016, with fixed coupon rates, payable annually. At the end of the third year or the end of the fourth year after the issuance of the bond, the issuer has the right to redeem the bonds in whole or in part in advance; at the same time, the issuer and investors have the option to extend the maturity date at the end of the fifth year. The bond issuer and investors did not exercise the extension option and the bond has expired in March 2021.

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

41. Contract liabilities

	As at June 30, 2021 (Unaudited)	As at December 31, 2020 (Audited)
Sales proceeds received in advance (1)	**23,005,352**	14,725,445
Others	**159,196**	130,282
Total	**23,164,548**	14,855,727

(1) Sales proceeds received in advance

	For the six months ended June 30,	
	2021 (Unaudited)	2020 (Unaudited)
At beginning of the period	**14,725,445**	22,994,982
Deferred during the period	**12,585,092**	7,953,176
Recognized as revenue during the period	**(4,305,185)**	(10,382,275)
At end of the period	**23,005,352**	20,565,883

As at June 30, 2021, all contract liabilities of the Group were held by Cinda Real Estate, a subsidiary of the Company, and the contract liabilities were mainly sales proceeds received in advance by Cinda Real Estate.

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

42. Other liabilities

	As at June 30, 2021 (Unaudited)	As at December 31, 2020 (Audited)
Other payables	**16,815,100**	16,010,287
Staff costs payable	**6,302,929**	6,993,165
Dividends payable	**5,062,709**	1,713
Risk deposit	**4,726,230**	4,330,358
Payables to interest holders of consolidated structured entities (Note IV.26)	**2,004,033**	2,086,380
Sundry taxes payable	**1,675,949**	1,604,526
Lease liabilities	**1,435,385**	1,040,216
Receipts in advance associated with disposal of distressed assets	**943,732**	1,039,991
Provisions	**822,007**	791,150
Notes payable	**786,126**	911,332
Receipts in advance	**530,320**	527,491
Deferred income related to leasing business	**585,186**	560,282
Items in the process of clearance and settlement	**499,662**	1,483,509
Long-term payable	**157,993**	1,248,218
Others	**791,568**	747,727
Total	**43,138,929**	39,376,345

IV. EXPLANATORY NOTES (continued)

43. Share capital

	For the six months ended June 30, 2021 (Unaudited)	For the year ended December 31, 2020 (Audited)
Authorized, issued and fully paid:		
At beginning of the period	**38,164,535**	38,164,535
Issue of shares	**–**	–
At end of the period	**38,164,535**	38,164,535

A summary of the movements of the Company's issued shares (in thousands of shares) during the six months ended June 30, 2021 and the year ended December 31, 2020 is as follows:

	2021 (Unaudited)			
	As at January 1	Issuance	Transfer	As at June 30
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**

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

43. Share capital (continued)

	2020 (Audited)			
	As at January 1	Issuance	Transfer	As at December 31
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 June 30, 2021 and December 31, 2020, there were no shares subject to the lock-up restriction of the Group.

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

44. Other equity instruments

For the period ended June 30, 2021, the movements of the Company's other equity instruments were as follows:

	2021 (Unaudited)							
	As at January 1,		Increase		Decrease		As at June 30,	
	Quantity (shares) (In '000)	Carrying amount (In '000)	Quantity (shares) (In '000)	Carrying amount (In '000)	Quantity (shares) (In '000)	Carrying amount (In '000)	Quantity (shares) (In '000)	Carrying amount (In '000)
Preference Shares								
– 2016 Offshore Preference Shares	160,000	21,281,215	–	–	–	–	160,000	21,281,215
Total	160,000	21,281,215	–	–	–	–	160,000	21,281,215

Pursuant to the approvals by the relevant domestic and overseas authorities, the Company issued the USD settled Non-Cumulative Perpetual Offshore Preference Shares (the "Offshore Preference Shares") on September 30, 2016.

For the six months ended June 30, 2021, the Company recognized dividends for the Offshore Preference Shares of USD158.22 million (for the six months ended June 30, 2020, no dividend for the Offshore Preference Shares was required to be recognized for the Company).

45. 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 period and prior years.

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

46. Other comprehensive income

Other comprehensive income attributable to equity holders of the Company is set out below:

	For the six months ended June 30, 2021 (Unaudited)	For the year ended December 31, 2020 (Audited)
At beginning of the period/year	**(1,237,414)**	(35,688)
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 period	**144,239**	(14,307)
Amounts reclassified to profit or loss upon disposal	**(85,777)**	(85,096)
Amounts of profit or loss upon impairment	**18,269**	15,230
Income tax effect	**(20,234)**	43,693
	56,497	(40,480)
Exchange differences arising on translation of foreign operations	**(469,023)**	(805,095)
Share of other comprehensive income of associates and joint ventures	**(192,832)**	275,618
Income tax effect	**48,214**	(68,836)
	(557,144)	(638,793)
Items that will not be reclassified subsequently to profit or loss:		
Remeasurement of supplementary retirement benefits	**–**	(19,303)
Income tax effect	**–**	3,185
	–	(16,118)
Fair value changes on equity instruments designated as at fair value through other comprehensive income	**121,021**	(735,884)
Income tax effect	**(29,737)**	189,069
	91,284	(562,933)
Other comprehensive income for the period/year	**(465,860)**	(1,201,726)
At end of the period/year	**(1,703,274)**	(1,237,414)

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

47. General reserve

Pursuant to the Administrative Measures for the Provision of Reserves of Financial Enterprises (Caijin [2012] No. 20) issued by the MOF, the Company is required to maintain a general reserve at no less than 1.5% of its risk assets at the end of the reporting period, and the minimum requirement can be achieved over a period of no more than five years, starting from July 1, 2012.

Pursuant to regulatory requirements in the PRC, some domestic subsidiaries of the Company are required to transfer a certain amount of net profit to general reserve. The appropriation of the general reserve is accounted for as distribution of retained earnings.

For the six months ended June 30, 2021, the Group transferred RMB714.79 million to the general reserve pursuant to the regulatory requirements in the PRC (for the six months ended June 30, 2020, the Group reserved RMB331.03 million from the general reserve).

48. Cash and cash equivalents

For the purpose of the interim condensed consolidated statement of cash flows, cash and cash equivalents represent as the following:

	As at June 30, 2021 (Unaudited)	As at December 31, 2020 (Audited)
Cash	**492,496**	527,358
Balances with central banks	**4,166,082**	6,875,576
Deposits with banks and financial institutions	**74,143,045**	59,516,834
Placements with banks and financial institutions	**21,315,883**	19,730,230
Financial assets held under resale agreements	**86,552,003**	34,083,349
Cash and cash equivalents	**186,669,509**	120,733,347

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

49. Contingent liabilities and commitments

(1) Legal proceedings

The Group is involved as a defendant in certain lawsuits arising from its normal business operations. As at June 30, 2021, the total claim amount of pending litigations for the Group was RMB1,627.38 million (December 31, 2020: RMB1,974.05 million), and provisions of RMB12.11 million (December 31, 2020: RMB9.35 million) for the Group were made based on court judgments 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.

(2) Credit commitments

	As at June 30, 2021 (Unaudited)	As at December 31, 2020 (Audited)
Bank bill acceptance	**29,747,298**	19,885,771
Loan commitments (i)	**15,495,194**	15,363,473
Letters of credit issued	**4,267,244**	3,756,413
Letters of guarantee issued	**3,389,409**	3,708,904
Undrawn credit card commitments	**693,919**	695,460
Others	**1,204,877**	425,280
Total	**54,797,941**	43,835,301
Impairment of credit commitments	**(322,960)**	(142,593)

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

(i) Loan commitments represent undrawn loan facilities agreed and granted to customers. Unconditionally revocable loan commitments are not included in loan commitments. As at June 30, 2021, the unconditionally revocable loan commitments of the Group amounted to RMB88,735.92 million (December 31, 2020: RMB91,308.42 million).

IV. EXPLANATORY NOTES (continued)

49. Contingent liabilities and commitments (continued)

(3) Capital commitments

	As at June 30, 2021 (Unaudited)	As at December 31, 2020 (Audited)
Contracted but not provided for		
– Commitments for the acquisition of property and equipment	**63,945**	49,508
Total	**63,945**	49,508

(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.

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

50. 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 was 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 are 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	
	June 30 2021	December 31 2020	**June 30 2021**	December 31 2020
Financial assets at amortized cost	**329,586**	–	**320,083**	–
Financial assets at fair value through profit or loss	**8,609,663**	67,218	**8,361,394**	65,280
Financial assets at fair value through other comprehensive income	**16,998,974**	16,074,084	**15,665,446**	15,925,398
Total	**25,938,223**	16,141,302	**24,346,923**	15,990,678

IV. EXPLANATORY NOTES (continued)

50. Transfers of financial assets (continued)

(2) Asset-backed securities

The Group enters into securitization transactions, by which 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 June 30, 2021, the Group's carrying amount of transferred assets that did not qualify for derecognition was RMB105,397.61 million (December 31, 2020: RMB84,982.80 million), and the carrying amount of their associated liabilities was RMB113,905.55 million (December 31, 2020: RMB90,139.62 million).

With respect to the securitization of financial assets that qualified for derecognition, the Group derecognized the transferred financial assets in their entirety. The corresponding total carrying amount of asset-backed securities held by the Group in the securitization transactions was nil as at June 30, 2021 and December 31, 2020.

(3) Continuing involvement

For those financial assets 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 six months ended June 30, 2021 and June 30, 2020, the Group has not recognized any transferred financial assets in which the Group had continuing involvement. As at June 30, 2021, the carrying amount of continuing involvement assets recognized by the Group was RMB143.26 million (As at December 31, 2020: RMB142.47 million). As at June 30, 2021 and December 31, 2020, the carrying amount of continuing involvement liabilities was nil.

IV. EXPLANATORY NOTES (continued)

51. 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 debt assets acquired from financial institutions and non-financial enterprises; (2) operation, management and disposal of debt to equity swap assets; (3) restructuring, special opportunity business and other debt businesses and equity businesses related to distressed assets and distressed entities in the 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, futures, public offering fund, trust and lease businesses. 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.

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

51. Segment information (continued)

	(Unaudited)			
	Distressed asset management	Financial services	Elimination	Consolidated
For the six months ended June 30, 2021				
Income from distressed debt assets at amortized cost	7,612,503	–	–	7,612,503
Fair value changes on distressed debt assets	8,272,908	–	–	8,272,908
Fair value changes on other financial instruments	4,492,795	240,022	37,818	4,770,635
Investment income	(75,383)	154,161	–	78,778
Interest income	5,078,447	7,036,879	(59,745)	12,055,581
Revenue from sales of inventories	4,534,356	–	–	4,534,356
Commission and fee income	222,320	2,420,306	(180,393)	2,462,233
Net gains on disposal of subsidiaries, associates and joint ventures	282,269	–	–	282,269
Other income and other net gains or losses	1,204,776	162,015	(34,490)	1,332,301
Total	31,624,991	10,013,383	(236,810)	41,401,564
Interest expense	(17,207,784)	(3,335,762)	181,128	(20,362,418)
Employee benefits	(1,627,460)	(1,506,508)	–	(3,133,968)
Purchases and changes in inventories	(3,841,255)	–	–	(3,841,255)
Commission and fee expense	(67,208)	(257,646)	28,525	(296,329)
Taxes and surcharges	(210,595)	(56,816)	–	(267,411)
Depreciation and amortization expenses	(596,865)	(457,857)	28,160	(1,026,562)
Other expenses	(926,762)	(577,708)	17,770	(1,486,700)
Impairment losses on assets	(2,094,101)	(1,075,243)	(10,038)	(3,179,382)
Total	(26,572,030)	(7,267,540)	245,545	(33,594,025)

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

51. Segment information (continued)

	(Unaudited)			
	Distressed asset management	Financial services	Elimination	Consolidated
Change in net assets attributable to other holders of consolidated structured entities	19,052	(13,215)	–	5,837
Profit before share of results of associates and joint ventures and tax	5,072,013	2,732,628	8,735	7,813,376
Share of results of associates and joint ventures	1,915,032	19,315	–	1,934,347
Profit before tax from continuing operations	6,987,045	2,751,943	8,735	9,747,723
Income tax expense				(2,670,824)
Profit for the period from continuing operations				7,076,899
Capital expenditure	464,793	80,582	–	545,375
As at June 30, 2021				
Segment assets	1,054,163,577	555,216,352	(14,649,851)	1,594,730,078
Including: Interests in associates and joint ventures	71,879,670	419,197	–	72,298,867
Unallocated assets				9,513,315
Total assets				1,604,243,393
Segment liabilities	939,420,351	478,450,315	(13,291,978)	1,404,578,688
Unallocated liabilities				3,830,055
Total liabilities				1,408,408,743

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

51. Segment information (continued)

	(Unaudited)			
	Distressed asset management	Financial services	Elimination	Consolidated
For the six months ended June 30, 2020				
Income from distressed debt assets at amortized cost	9,105,570	–	–	9,105,570
Fair value changes on distressed debt assets	7,474,182	–	–	7,474,182
Fair value changes on other financial instruments	1,905,789	324,937	112,830	2,343,556
Investment income	(271,622)	589,117	(12)	317,483
Interest income	4,354,260	7,937,955	(278,458)	12,013,757
Revenue from sales of inventories	9,659,230	–	–	9,659,230
Commission and fee income	162,358	2,120,521	(186,504)	2,096,375
Net gains on disposal of subsidiaries, associates and joint ventures	1,197,216	–	–	1,197,216
Other income and other net gains or losses	1,584,475	61,728	(33,709)	1,612,494
Total	35,171,458	11,034,258	(385,853)	45,819,863
Interest expense	(16,158,220)	(4,123,408)	359,524	(19,922,104)
Employee benefits	(849,913)	(1,682,667)	–	(2,532,580)
Purchases and changes in inventories	(6,366,150)	–	–	(6,366,150)
Commission and fee expense	(58,954)	(244,817)	6,997	(296,774)
Taxes and surcharges	(203,035)	(42,697)	–	(245,732)
Depreciation and amortization expenses	(602,056)	(428,358)	29,734	(1,000,680)
Other expenses	(663,573)	(510,906)	407	(1,174,072)
Impairment losses on assets	(3,517,747)	(1,074,209)	(6,670)	(4,598,626)
Total	(28,419,648)	(8,107,062)	389,992	(36,136,718)

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

51. Segment information (continued)

	(Unaudited)			
	Distressed asset management	Financial services	Elimination	Consolidated
Change in net assets attributable to other holders of consolidated structured entities	(17,929)	(2,146)	–	(20,075)
Profit before share of results of associates and joint ventures and tax	6,733,881	2,925,050	4,139	9,663,070
Share of results of associates and joint ventures	1,045,738	4,318	–	1,050,056
Profit before tax from continuing operations	7,779,619	2,929,368	4,139	10,713,126
Income tax expense				(3,636,171)
Profit for the period from continuing operations				7,076,955
Profit after tax for the period from a discontinued operation				268,669
Capital expenditure	15,802	337,677	–	353,479
As at December 31, 2020 (Audited)				
Segment assets	1,002,081,396	528,523,142	(21,510,764)	1,509,093,774
Including: Interests in associates and joint ventures	70,095,189	407,471	–	70,502,660
Unallocated assets				8,989,874
Total assets				1,518,083,648
Segment liabilities	885,402,875	453,596,547	(20,626,211)	1,318,373,211
Unallocated liabilities				4,668,017
Total liabilities				1,323,041,228

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

52. Related party transactions

(1) The MOF

As at June 30, 2021, the MOF directly owned 58.00% (December 31, 2020: 58.00%) of the share capital of the Company.

The MOF is one of the ministries under the State Council, primarily responsible for state fiscal revenue and expenditures, and taxation policies. The entities controlled or regulated by the MOF are mainly financial institutions.

The Group had the following balances and 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 June 30, 2021 (Unaudited)	As at December 31, 2020 (Audited)
Financial assets at fair value through other comprehensive income	**26,934,429**	24,515,050
Financial assets at fair value through profit or loss	**5,594,530**	111,011
Financial assets at amortized cost	**578,907**	581,013
Accounts receivable	**1,597**	1,597

The Group entered into the following transactions with the MOF:

	For the six months ended June 30,	
	2021 (Unaudited)	2020 (Unaudited)
Interest income	**361,845**	375,132
Investment income	**13,563**	51,130

Transactions between the Group and the MOF are mainly investments of treasury bonds issued by the MOF and held by the Group.

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

52. Related party transactions (continued)

(2) Subsidiaries

The Company had the following balances with its subsidiaries:

	As at June 30, 2021 (Unaudited)	As at December 31, 2020 (Audited)
Amounts due from subsidiaries	**23,036,749**	27,536,214
Financial assets at fair value through profit or loss	**1,388,266**	1,780,906
Lease liabilities	**520,582**	526,070
Right-of-use assets	**500,696**	509,186
Bonds issued	**474,206**	484,380
Other payables	**153,423**	183,703
Financial assets at amortized cost	**22,625**	226,319
Property and equipment	**15,381**	15,672

The Company had entered into the following transactions with its subsidiaries:

	For the six months ended June 30,	
	2021 (Unaudited)	2020 (Unaudited)
Dividend income	**373,074**	–
Interest income	**229,010**	575,409
Interest expense	**134,608**	99,105
Fair value changes on other financial instruments	**67,479**	119,499
Depreciation expenses of right-of-use assets	**63,481**	64,344
Other expenses	**49,084**	9,270
Impairment losses on assets	**27,212**	21,810
Commission and fee expense	**17,702**	707
Rental income	**10,553**	11,243
Other income and other net gains or losses	**1,990**	–
Depreciation and amortization expenses	**291**	291

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

52. Related party transactions (continued)

(3) Associates and joint ventures

The Group had the following balances and 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.

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

	As at June 30, 2021 (Unaudited)	As at December 31, 2020 (Audited)
Loans and advances to customers	**7,087,444**	7,360,505
Risk deposit	**189,085**	242,364
Other payables	**180,356**	163,369
Other receivables	**87,999**	45,984
Dividend receivable	**50,888**	45,000
Deferred income related to leasing business	**5,348**	10,549

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

	For the six months ended June 30,	
	2021 (Unaudited)	2020 (Unaudited)
Interest income	**224,278**	494,744
Dividend income	**166,024**	345,854
Others	**–**	21,903

IV. EXPLANATORY NOTES (continued)

52. Related party transactions (continued)

(4) Government-related entities

Other than those disclosed above, the Group has also entered into transactions with 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.

(5) Annuity scheme

The Group had the following transactions with the annuity scheme set up by the Company:

	For the six months ended June 30,	
	2021 (Unaudited)	2020 (Unaudited)
Contribution to the annuity scheme	**101,316**	88,823

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

52. Related party transactions (continued)

(6) Key management remuneration

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 senior management for employment services is as follows:

	For the six months ended June 30,	
	2021	2020
	(Unaudited)	(Unaudited)
Emoluments of key management personnel	**4,598**	4,975

(7) During the period, 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.

53. Financial risk management

The types of risk to which the Group is exposed include credit risk, market risk and liquidity risk. Market risk includes interest rate risk, foreign exchange risk and price risk. The Group's primary objectives and policies of risk management and risk management framework are the same as those set out in the Group's consolidated financial statements for the year ended December 31, 2020.

IV. EXPLANATORY NOTES (continued)

53. Financial risk management (continued)

53.1 Credit risk

53.1.1 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 distressed debt assets at amortized cost, loans and advances to customers and other debt or security investments held by the Group.

The Group performed the assessment of expected credit losses with the reference to forward-looking information and used a number of models and assumptions in the measurement of expected credit losses. These models and assumptions related to the future macroeconomic situation and the credit status of the borrowers (for example, the possibility of default by the customers and the corresponding loss). The Group assessed the expected credit losses as at June 30, 2021 and comprehensively considered the impacts of current economic conditions and the COVID-19 pandemic on expected credit losses, including performing forward-looking forecasts to key macroeconomic indicators and assessment of scenario weights.

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

53.1.2 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 the 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.

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

53. Financial risk management (continued)

53.1 Credit risk (continued)

53.1.2 Maximum exposure to credit risk before taking into account any collateral held or other credit enhancements (continued)

The maximum exposure to credit risk at the end of each reporting period is as follows:

	As at June 30, 2021 (Unaudited)	As at December 31, 2020 (Audited)
On-balance sheet		
Balances with central banks	**13,000,914**	14,847,690
Deposits with banks and financial institutions	**108,232,354**	87,953,563
Deposits with exchanges and others	**2,186,019**	1,946,984
Placements with banks and financial institutions	**23,471,087**	19,909,505
Financial assets at fair value through profit or loss	**133,654,207**	127,921,267
Financial assets held under resale agreements	**88,453,904**	36,241,153
Financial assets at fair value through other comprehensive income	**115,505,798**	119,255,383
Financial assets at amortized cost	**209,936,239**	220,232,956
Loans and advances to customers	**366,580,141**	353,456,297
Accounts receivable	**3,635,023**	3,255,410
Other assets	**10,849,105**	10,437,031
Subtotal	**1,075,504,791**	995,457,239
Off-balance sheet		
Bank bill acceptance	**29,747,298**	19,885,771
Loan commitments	**15,495,194**	15,363,473
Letters of guarantee issued and other credit commitments	**9,555,449**	8,586,057
Subtotal	**54,797,941**	43,835,301
Total	**1,130,302,732**	1,039,292,540

IV. EXPLANATORY NOTES (continued)

53. Financial risk management (continued)

53.1 Credit risk (continued)

53.1.2 Maximum exposure to credit risk before taking into account any collateral held or other credit enhancements (continued)

Among the distressed debt assets at fair value through profit or loss, the distressed assets contain certain elements of credit risk. The risks that such assets are exposed to are the same as those set out in the Group's consolidated financial statements for the year ended December 31, 2020. The carrying amount of distressed debt assets at fair value through profit or loss of the Group as at June 30, 2021 amounted to RMB200,841.51 million (December 31, 2020: RMB198,746.18 million).

The Group implements specific policies and credit enhancement practices to mitigate credit risk exposure to an acceptable level. The most typical practice is by obtaining guarantee deposits, collateral and/or guarantees. The amount and type of acceptable collateral are determined by credit risk evaluations of counterparties. The Group implements guidelines on the acceptability of specific classes of collateral and evaluation parameters. The main types of collateral obtained are land and properties or other assets of the borrowers. The Group monitors the market value of collateral periodically and requests for additional collateral in accordance with the underlying agreement when necessary.

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

53. Financial risk management (continued)

53.1 Credit risk (continued)

53.1.3 Risk concentration of distressed debt assets and loans and advances to customers at amortized cost

	As at June 30, 2021 (Unaudited)	As at December 31, 2020 (Audited)
Distressed debt assets	**182,156,982**	193,031,261
Loans and advances to customers	**356,218,851**	341,395,217
Subtotal	**538,375,833**	534,426,478
Allowance for impairment losses		
Distressed debt assets	**(16,154,712)**	(16,524,845)
Loans and advances to customers	**(8,660,720)**	(7,485,658)
Subtotal	**(24,815,432)**	(24,010,503)
Net carrying amounts		
Distressed debt assets	**166,002,270**	176,506,416
Loans and advances to customers	**347,558,131**	333,909,559
Total	**513,560,401**	510,415,975

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

53. Financial risk management (continued)

53.1 Credit risk (continued)

53.1.3 Risk concentration of distressed debt assets and loans and advances to customers at amortized cost (continued)

By geographical area

Area	As at June 30, 2021 (Unaudited) Gross amount	%	As at December 31, 2020 (Audited) Gross amount	%
Overseas	**165,923,371**	**30.9**	166,206,634	31.2
Central Region	**86,029,345**	**16.0**	78,592,971	14.7
Western Region	**75,052,373**	**13.9**	76,251,607	14.3
Yangtze River Delta	**74,938,492**	**13.9**	75,412,542	14.1
Bohai Rim	**73,372,871**	**13.6**	67,601,765	12.6
Pearl River Delta	**55,992,598**	**10.4**	63,155,401	11.8
Northeastern Region	**7,066,783**	**1.3**	7,205,558	1.3
Total	**538,375,833**	**100.0**	534,426,478	100.0

Notes:

Overseas:	Including Hong Kong and other overseas regions.
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.
Yangtze River Delta:	Including Shanghai, Jiangsu and Zhejiang.
Bohai Rim:	Including Beijing, Tianjin, Hebei and Shandong.
Pearl River Delta:	Including Guangdong, Shenzhen and Fujian.
Northeastern Region:	Including Liaoning, Jilin and Heilongjiang.

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

53. Financial risk management (continued)

53.1 Credit risk (continued)

53.1.3 Risk concentration of distressed debt assets and loans and advances to customers at amortized cost (continued)

By industry

Industry	As at June 30, 2021 (Unaudited) Gross amount	%	As at December 31, 2020 (Audited) Gross amount	%
Corporate business				
Real estate	**155,076,964**	**28.8**	183,031,269	34.1
Manufacturing	**63,357,138**	**11.8**	63,451,828	11.9
Leasing and commercial services	**54,544,551**	**10.1**	49,612,282	9.3
Finance	**33,376,924**	**6.2**	29,357,482	5.5
Production and supply of power, heat, gas and water	**28,908,494**	**5.4**	29,166,681	5.5
Construction	**25,756,638**	**4.8**	17,837,696	3.3
Mining	**20,841,451**	**3.9**	15,857,411	3.0
Transportation, logistics and postal services	**16,014,974**	**3.0**	15,969,971	3.0
Others	**78,365,198**	**14.4**	71,380,337	13.4
Subtotal	**476,242,332**	**88.4**	475,664,957	89.0
Personal business				
Mortgage	**30,024,311**	**5.6**	27,377,051	5.1
Personal consumption loans	**21,311,027**	**4.0**	21,264,336	4.0
Subtotal	**51,335,338**	**9.6**	48,641,387	9.1
Loans to margin clients	**10,798,163**	**2.0**	10,120,134	1.9
Total	**538,375,833**	**100.0**	534,426,478	100.0

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

53. Financial risk management (continued)

53.1 Credit risk (continued)

53.1.3 Risk concentration of distressed debt assets and loans and advances to customers at amortized cost (continued)

By security type

	As at June 30, 2021 (Unaudited)		As at December 31, 2020 (Audited)	
	Gross amount	%	Gross amount	%
Unsecured	**135,110,885**	**25.1**	140,241,990	26.2
Guaranteed	**65,683,779**	**12.2**	60,133,987	11.3
Mortgaged	**173,120,133**	**32.2**	192,002,678	35.9
Pledged	**164,461,036**	**30.5**	142,047,823	26.6
Total	**538,375,833**	**100.0**	534,426,478	100.0

53.1.4 Past due distressed debt assets and loans and advances to customers at amortized cost

	Gross amount as at June 30, 2021 (Unaudited)				
	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	**5,330,889**	**7,184,833**	**3,026,707**	**330,099**	**15,872,528**
Loans and advances to customers	**2,697,954**	**2,893,704**	**3,197,935**	**973,953**	**9,763,546**
Total	**8,028,843**	**10,078,537**	**6,224,642**	**1,304,052**	**25,636,074**

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

53. Financial risk management (continued)

53.1 Credit risk (continued)

53.1.4 Past due distressed debt assets and loans and advances to customers at amortized cost (continued)

	Gross amount as at December 31, 2020 (Audited)				
	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	9,719,713	6,024,210	3,091,359	330,099	19,165,381
Loans and advances to customers	3,228,913	1,986,215	2,650,726	920,067	8,785,921
Total	12,948,626	8,010,425	5,742,085	1,250,166	27,951,302

53.1.5 Credit quality of distressed assets and loans and advances to customers at amortized cost

	As at June 30, 2021 (Unaudited)	As at December 31, 2020 (Audited)
Neither past due nor impaired	**511,838,497**	506,048,025
Past due but not impaired (1)	**10,588,775**	14,936,001
Impaired (2)	**15,948,561**	13,442,452
Subtotal	**538,375,833**	534,426,478
Allowance for impairment losses	**(24,815,432)**	(24,010,503)
Net carrying amount	**513,560,401**	510,415,975

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

53. Financial risk management (continued)

53.1 Credit risk (continued)

53.1.5 Credit quality of distressed assets and loans and advances to customers at amortized cost (continued)

(1) Past due but not impaired

	Gross amount as at June 30, 2021 (Unaudited)				
	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	**4,984,883**	**3,001,062**	**–**	**–**	**7,985,945**
Loans and advances to customers	**862,571**	**850,000**	**890,259**	**–**	**2,602,830**
Total	**5,847,454**	**3,851,062**	**890,259**	**–**	**10,588,775**

	Gross amount as at December 31, 2020 (Audited)				
	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	7,844,426	3,588,051	–	–	11,432,477
Loans and advances to customers	1,553,265	1,740,259	210,000	–	3,503,524
Total	9,397,691	5,328,310	210,000	–	14,936,001

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

53. Financial risk management (continued)

53.1 Credit risk (continued)

53.1.5 Credit quality of distressed assets and loans and advances to customers at amortized cost (continued)

(2) Impaired

	As at June 30, 2021 (Unaudited)		
	Gross amount	Allowance for impairment losses	Net carrying amount
Distressed debt assets	**7,886,583**	**(3,421,401)**	**4,465,182**
Loans and advances to customers	**8,061,978**	**(3,606,780)**	**4,455,198**
Total	**15,948,561**	**(7,028,181)**	**8,920,380**

	As at December 31, 2020 (Audited)		
	Gross amount	Allowance for impairment losses	Net carrying amount
Distressed debt assets	7,732,904	(3,258,555)	4,474,349
Loans and advances to customers	5,709,548	(3,185,611)	2,523,937
Total	13,442,452	(6,444,166)	6,998,286

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

53. Financial risk management (continued)

53.1 Credit risk (continued)

53.1.5 Credit quality of distressed assets and loans and advances to customers at amortized cost (continued)

(2) Impaired (continued)

	As at June 30, 2021 (Unaudited)	As at December 31, 2020 (Audited)
Distressed debt assets		
Impaired	**7,886,583**	7,732,904
– Portion covered	**7,517,843**	7,364,164
– Portion not covered	**368,740**	368,740
Impaired as % of total distressed debt assets	**4.3**	4.0
Fair value of collateral	**7,807,717**	7,655,575
Loans and advances to customers		
Impaired	**8,061,978**	5,709,548
– Portion covered	**7,658,879**	5,513,737
– Portion not covered	**403,099**	195,811
Impaired as % of total loans and advances to customers	**2.3**	1.7
Fair value of collateral	**7,812,057**	5,554,941

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

53. Financial risk management (continued)

53.1 Credit risk (continued)

53.1.5 Credit quality of distressed 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:

	As at June 30, 2021 (Unaudited)		As at December 31, 2020 (Audited)	
	Gross amount	%	Gross amount	%
Distressed debt assets				
Bohai Rim	**2,964,963**	**37.5**	2,715,747	35.1
Pearl River Delta	**2,688,830**	**34.1**	2,948,201	38.1
Western Region	**1,332,769**	**16.9**	132,931	1.7
Yangtze River Delta	**896,378**	**11.4**	1,182,091	15.3
Central Region	**3,643**	**0.1**	753,934	9.8
Total	**7,886,583**	**100.0**	7,732,904	100.0
Loans and advances to customers				
Overseas	**2,292,489**	**28.5**	675,902	11.8
Pearl River Delta	**1,308,425**	**16.2**	1,170,235	20.5
Bohai Rim	**1,271,636**	**15.8**	787,219	13.8
Central Region	**1,268,387**	**15.7**	1,115,132	19.5
Yangtze River Delta	**984,870**	**12.2**	1,060,707	18.6
Northeastern Region	**499,961**	**6.2**	593,807	10.4
Western Region	**436,210**	**5.4**	306,546	5.4
Total	**8,061,978**	**100.0**	5,709,548	100.0

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

53. Financial risk management (continued)

53.1 Credit risk (continued)

53.1.6 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.

	As at June 30, 2021 (Unaudited)	As at December 31, 2020 (Audited)
Neither past due nor impaired (1)	**278,663,570**	276,024,460
Past due but not impaired (2)	**12,746,791**	10,816,502
Impaired (3)	**3,668,749**	6,140,254
Subtotal	**295,079,110**	292,981,216
Allowance for impairment losses	**(1,297,335)**	(2,078,026)
Net carrying amounts	**293,781,775**	290,903,190

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

53. Financial risk management (continued)

53.1 Credit risk (continued)

53.1.6 Credit quality of investment products (continued)

(1) Neither past due nor impaired

	As at June 30, 2021 (Unaudited)				As at December 31, 2020 (Audited)			
	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	11,306,341	578,907	41,909,250	53,794,498	5,579,784	581,013	40,679,921	46,840,718
Public sector and quasi-government bonds	10,239	–	5,267,722	5,277,961	10,341	–	4,929,996	4,940,337
Financial institution bonds	408,761	117,039	34,034,006	34,559,806	582,818	1,586,606	34,945,920	37,115,344
Corporate bonds	14,249,193	603,262	32,825,265	47,677,720	7,613,126	581,214	28,105,436	36,299,776
Trust products and rights to trust assets	17,853,431	18,842,108	–	36,695,539	14,570,839	15,445,631	–	30,016,470
Wealth management products	1,335,131	–	–	1,335,131	2,344,900	–	–	2,344,900
Asset management plans	1,619,696	490,677	–	2,110,373	518,134	513,748	–	1,031,882
Asset-backed securities	1,195,481	–	–	1,195,481	756,174	–	–	756,174
Derivative financial assets	671,366	–	–	671,366	802,792	–	–	802,792
Embedded derivatives debts	777,205	–	–	777,205	838,092	–	–	838,092
Debt investments	18,538,108	23,289,423	–	41,827,531	22,131,737	22,877,525	–	45,009,262
Mixed fund investments	47,972,819	–	–	47,972,819	56,381,773	–	–	56,381,773
Certificates of deposit	–	–	1,469,555	1,469,555	–	–	10,594,110	10,594,110
Others	3,298,585	–	–	3,298,585	3,052,830	–	–	3,052,830
Subtotal	119,236,356	43,921,416	115,505,798	278,663,570	115,183,340	41,585,737	119,255,383	276,024,460
Allowance for impairment losses	–	(667,485)	–	(667,485)	–	(1,001,339)	–	(1,001,339)
Total	119,236,356	43,253,931	115,505,798	277,996,085	115,183,340	40,584,398	119,255,383	275,023,121

As at June 30, 2021, the gross amount of neither past due nor impaired investment products at fair value through other comprehensive income was RMB115,505.80 million, and the allowance of RMB80.93 million was recognized in other comprehensive income.

As at December 31, 2020, the gross amount of neither past due nor impaired investment products at fair value through other comprehensive income was RMB119,255.38 million, and the allowance of RMB71.41 million was recognized in other comprehensive income.

IV. EXPLANATORY NOTES (continued)

53. Financial risk management (continued)

53.1 Credit risk (continued)

53.1.6 Credit quality of investment products (continued)

(2) Past due but not impaired

As at June 30, 2021, the gross amount of past due but not impaired investment products of the Group was RMB12,746.79 million, including financial assets at fair value through profit or loss of RMB12,498.19 million, and at amortized cost of RMB248.60 million with the allowance of RMB81.27 million recognized.

As at December 31, 2020, the past due but not impaired investment products of the Group were financial assets at fair value through profit or loss. The gross amount of investment products was RMB10,816.50 million.

(3) Impaired

As at June 30, 2021, the gross amount of the impaired investment products at fair value through profit or loss was RMB1,919.66 million, and the fair value loss of RMB1,140.12 million was recognized. The impairment of the impaired investment products at fair value through other comprehensive income has been fully accrued, and the allowance of RMB148.60 million was recognized in other comprehensive income. The gross amount of the impaired other debt instruments at amortized cost was RMB1,749.09 million, and the allowance of RMB548.58 million was recognized.

As at December 31, 2020, the gross amount of the impaired investment products at fair value through profit or loss was RMB1,921.43 million, and the fair value loss of RMB1,138.35 million was recognized. The impairment of the impaired investment products at fair value through other comprehensive income has been fully accrued, and the allowance of RMB150.05 million was recognized in other comprehensive income. The gross amount of the impaired other debt instruments at amortized cost was RMB4,218.83 million, and the allowance of RMB1,076.69 million was recognized.

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

53. Financial risk management (continued)

53.2 Market risk

Interest rate risk

At the end of the 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:

	As at June 30, 2021 (Unaudited)						
	Less than 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Non-interest-bearing	Total
Cash and balances with central banks	10,369,749	–	–	–	–	3,123,661	13,493,410
Deposits with banks and financial institutions	98,024,505	6,514,138	2,395,012	–	–	1,298,699	108,232,354
Placements with banks and financial institutions	21,507,111	632,375	1,331,601	–	–	–	23,471,087
Deposits with exchanges and others	2,186,019	–	–	–	–	–	2,186,019
Financial assets at fair value through profit or loss	4,300,515	3,863,228	17,692,818	76,580,013	1,484,577	350,007,750	453,928,901
Financial assets at fair value through other comprehensive income	27,205,328	10,692,733	17,687,453	56,282,040	2,693,208	5,538,622	120,099,384
Loans and advances to customers	167,875,285	43,329,204	104,585,641	47,042,885	3,206,500	540,626	366,580,141
Financial assets at amortized cost	25,278,087	16,820,392	62,890,729	104,938,669	8,362	–	209,936,239
Accounts receivable	–	–	–	384,360	–	3,250,663	3,635,023
Financial assets held under resale agreements	87,420,358	–	453,545	435,156	–	144,845	88,453,904
Other financial assets	208,781	92,766	584,918	1,177	1,766	9,959,697	10,849,105
Total financial assets	444,375,738	81,944,836	207,621,717	285,664,300	7,394,413	373,864,563	1,400,865,567

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

53. Financial risk management (continued)

53.2 Market risk (continued)

Interest rate risk (continued)

	As at June 30, 2021 (Unaudited)						
	Less than 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Non-interest-bearing	Total
Borrowings from the central bank	–	(39,644)	–	–	–	(986,266)	(1,025,910)
Accounts payable to brokerage clients	(12,809,432)	–	–	–	–	(3,680,075)	(16,489,507)
Due to customers	(137,555,133)	(60,851,280)	(76,449,423)	(8,129,827)	–	(13,082,929)	(296,068,592)
Deposits from banks and financial institutions	(3,237,781)	(1,762,083)	(377,970)	(8,175,000)	(700,000)	(224,340)	(14,477,174)
Placements from banks and financial institutions	(2,348,766)	(5,146,575)	(5,254,518)	–	–	(50,186)	(12,800,045)
Financial liabilities at fair value through profit or loss	(486,423)	(3,035,177)	(1,609,767)	–	–	(793,801)	(5,925,168)
Financial assets sold under repurchase agreements	(17,927,755)	(2,346,022)	(2,401,596)	–	–	(1,671,550)	(24,346,923)
Borrowings	(46,175,309)	(84,928,500)	(320,437,718)	(121,167,018)	(3,444,528)	(3,461,581)	(579,614,654)
Bonds issued	(16,110,666)	(21,846,580)	(97,061,260)	(139,284,561)	(101,665,264)	(4,700,146)	(380,668,477)
Accounts payable	–	–	–	–	–	(5,039,713)	(5,039,713)
Other financial liabilities	(14,934)	(78,490)	(140,875)	(817,296)	(166,397)	(29,892,549)	(31,110,541)
Total financial liabilities	(236,666,199)	(180,034,351)	(503,733,127)	(277,573,702)	(105,976,189)	(63,583,136)	(1,367,566,704)
Interest rate gap	207,709,539	(98,089,515)	(296,111,410)	8,090,598	(98,581,776)	310,281,427	33,298,863

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

53. Financial risk management (continued)

53.2 Market risk (continued)

Interest rate risk (continued)

	As at December 31, 2020 (Audited)						
	Less than 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Non-interest-bearing	Total
Cash and balances with central banks	12,383,502	–	–	–	–	2,991,546	15,375,048
Deposits with banks and financial institutions	76,226,924	4,954,756	4,562,736	–	–	2,209,147	87,953,563
Placements with banks and financial institutions	19,697,443	212,062	–	–	–	–	19,909,505
Deposits with exchanges and others	1,946,984	–	–	–	–	–	1,946,984
Financial assets at fair value through profit or loss	7,789,638	7,193,689	23,859,451	77,310,374	663,339	330,100,183	446,916,674
Financial assets at fair value through other comprehensive income	5,610,860	15,457,819	24,975,428	68,911,888	3,170,792	5,601,681	123,728,468
Loans and advances to customers	192,551,465	38,326,493	75,187,191	45,000,035	1,656,871	734,242	353,456,297
Financial assets at amortized cost	21,659,018	11,394,795	90,043,666	97,102,816	32,661	–	220,232,956
Accounts receivable	15,212	–	–	384,360	–	2,855,838	3,255,410
Financial assets held under resale agreements	30,631,860	4,579,366	313,994	435,156	–	280,777	36,241,153
Other financial assets	2,100	42,341	1,265,625	1,177	1,766	9,453,678	10,766,687
Total financial assets	368,515,006	82,161,321	220,208,091	289,145,806	5,525,429	354,227,092	1,319,782,745

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

53. Financial risk management (continued)

53.2 Market risk (continued)

Interest rate risk (continued)

	As at December 31, 2020 (Audited)						
	Less than 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Non-interest-bearing	Total
Borrowings from the central bank	–	–	–	–	–	(986,058)	(986,058)
Accounts payable to brokerage clients	(13,045,266)	–	–	–	–	(3,538,581)	(16,583,847)
Due to customers	(135,353,256)	(57,336,498)	(65,025,816)	(3,243,963)	–	(12,684,641)	(273,644,174)
Deposits from banks and financial institutions	(3,978,380)	(3,863,730)	(391,502)	(7,105,000)	(80,000)	(123,572)	(15,542,184)
Placements from banks and financial institutions	(4,493,080)	(6,791,235)	(2,528,243)	–	–	(231,776)	(14,044,334)
Financial liabilities at fair value through profit or loss	(1,817,920)	(2,170,572)	(1,671,852)	–	–	(1,616,565)	(7,276,909)
Financial assets sold under repurchase agreements	(8,874,433)	(3,948,122)	(1,484,020)	–	–	(1,684,103)	(15,990,678)
Borrowings	(34,278,158)	(57,361,284)	(368,419,974)	(74,531,803)	(19,294,094)	(3,026,835)	(556,912,148)
Bonds issued	(36,279)	(21,483,793)	(75,886,723)	(146,967,791)	(105,330,923)	(6,072,021)	(355,777,530)
Accounts payable	–	–	–	–	–	(4,886,693)	(4,886,693)
Other financial liabilities	(272,841)	(206,431)	(2,671,112)	(539,468)	(22,916)	(25,158,839)	(28,871,607)
Total financial liabilities	(202,149,613)	(153,161,665)	(518,079,242)	(232,388,025)	(124,727,933)	(60,009,684)	(1,290,516,162)
Interest rate gap	166,365,393	(71,000,344)	(297,871,151)	56,757,781	(119,202,504)	294,217,408	29,266,583

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

53. Financial risk management (continued)

53.2 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 currency transactions in United States dollars ("USD"), Hong Kong dollars ("HKD") and other currencies.

The table below indicates the potential effect on profit before tax of a 5% appreciation or depreciation of the spot and forward exchange rates of foreign currencies against Renminbi.

Group

	As at June 30, 2021 (Unaudited)	As at December 31, 2020 (Audited)
5% appreciation	**425,400**	245,821
5% depreciation	**(425,400)**	(245,821)

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.

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

53. Financial risk management (continued)

53.2 Market risk (continued)

Price risk (continued)

	As at June 30 2021 Profit before tax	As at June 30 2021 Equity	As at December 31 2020 Profit before tax	As at December 31 2020 Equity
+1 percent	**1,194,332**	**45,936**	1,202,492	44,731
-1 percent	**(1,194,332)**	**(45,936)**	(1,202,492)	(44,731)

53.3 Liquidity risk

Analysis of the remaining maturity of the financial assets and financial liabilities

	As at June 30, 2021 (Unaudited)							
	Past due/ undated	On demand	Less than 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
Cash and balances with central banks	10,367,333	3,126,077	–	–	–	–	–	13,493,410
Deposits with banks and financial institutions	166	88,404,606	10,918,432	6,514,138	2,395,012	–	–	108,232,354
Placements with banks and financial institutions	–	–	21,507,111	632,375	1,331,601	–	–	23,471,087
Deposits with exchanges and others	2,186,019	–	–	–	–	–	–	2,186,019
Financial assets at fair value through profit or loss	332,771,707	8,122,736	1,671,943	3,604,379	20,402,054	85,853,742	1,502,340	453,928,901
Loans and advances to customers	6,094,155	23,398,701	9,469,735	22,199,697	91,339,056	161,012,832	53,065,965	366,580,141
Accounts receivable	719,296	1,476,334	206,330	26,487	109,821	1,096,755	–	3,635,023
Financial assets held under resale agreements	198,688	–	87,364,392	–	454,470	436,354	–	88,453,904
Financial assets at fair value through other comprehensive income	4,593,586	–	27,624,184	10,717,673	17,755,471	56,692,671	2,715,799	120,099,384
Financial assets at amortized cost	12,677,279	1,819,684	10,781,124	16,820,392	62,890,729	104,938,669	8,362	209,936,239
Other financial assets	4,340,019	4,583,614	882,326	93,105	795,700	152,575	1,766	10,849,105
Total financial assets	373,948,248	130,931,752	170,425,577	60,608,246	197,473,914	410,183,598	57,294,232	1,400,865,567

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

53. Financial risk management (continued)

53.3 Liquidity risk (continued)

Analysis of the remaining maturity of the financial assets and financial liabilities (continued)

	As at June 30, 2021 (Unaudited)							
	Past due/ undated	On demand	Less than 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
Borrowings from the central bank	(986,058)	–	–	(39,852)	–	–	–	(1,025,910)
Accounts payable to brokerage clients	–	(3,680,075)	(12,809,432)	–	–	–	–	(16,489,507)
Due to customers	–	(104,991,083)	(44,580,822)	(59,739,350)	(78,354,868)	(8,402,469)	–	(296,068,592)
Deposits from banks and financial institutions	–	(931,266)	(2,308,558)	(1,774,294)	(386,680)	(8,375,134)	(701,242)	(14,477,174)
Placements from banks and financial institutions	–	(27,497)	(2,364,344)	(5,151,922)	(5,256,282)	–	–	(12,800,045)
Financial liabilities at fair value through profit or loss	–	(155,425)	(486,423)	(3,664,467)	(1,609,765)	(2,153)	(6,935)	(5,925,168)
Financial assets sold under repurchase agreements	–	(1,773,904)	(17,824,594)	(2,346,734)	(2,401,691)	–	–	(24,346,923)
Borrowings	(533,762)	(19,281,981)	(45,235,162)	(85,584,012)	(321,795,459)	(103,735,201)	(3,449,077)	(579,614,654)
Bonds issued	–	–	(16,386,642)	(22,087,783)	(97,832,172)	(141,327,326)	(103,034,554)	(380,668,477)
Accounts payable	(123,055)	(3,762,392)	(207,562)	(138)	(490,503)	(456,063)	–	(5,039,713)
Other financial liabilities	(858,759)	(22,062,776)	(708,897)	(287,053)	(2,156,754)	(4,390,534)	(645,768)	(31,110,541)
Total financial liabilities	(2,501,634)	(156,666,399)	(142,912,436)	(180,675,605)	(510,284,174)	(266,688,880)	(107,837,576)	(1,367,566,704)
Net position	371,446,614	(25,734,647)	27,513,141	(120,067,359)	(312,810,260)	143,494,718	(50,543,344)	33,298,863

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

53. Financial risk management (continued)

53.3 Liquidity risk (continued)

Analysis of the remaining maturity of the financial assets and financial liabilities (continued)

	As at December 31, 2020 (Audited)							
	Past due/ undated	On demand	Less than 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
Cash and balances with central banks	7,972,169	7,402,879	–	–	–	–	–	15,375,048
Deposits with banks and financial institutions	166	62,949,253	15,485,789	4,955,619	4,562,736	–	–	87,953,563
Placements with banks and financial institutions	–	–	19,697,613	211,892	–	–	–	19,909,505
Deposits with exchanges and others	1,946,984	–	–	–	–	–	–	1,946,984
Financial assets at fair value through profit or loss	316,870,573	10,494,878	3,368,488	7,819,567	27,768,489	79,913,578	681,101	446,916,674
Loans and advances to customers	4,835,240	21,456,317	6,771,545	28,846,395	87,002,193	153,401,520	51,143,087	353,456,297
Accounts receivable	459,266	1,208,722	247,350	197,000	731,895	411,177	–	3,255,410
Financial assets held under resale agreements	240,274	–	30,669,598	4,580,825	313,994	436,462	–	36,241,153
Financial assets at fair value through other comprehensive income	4,473,085	–	5,676,429	15,616,884	25,127,524	69,647,423	3,187,123	123,728,468
Financial assets at amortized cost	16,994,357	1,838,962	2,825,700	11,343,655	89,564,932	97,632,689	32,661	220,232,956
Other financial assets	3,172,323	4,789,705	1,127,062	45,170	1,311,393	319,268	1,766	10,766,687
Total financial assets	356,964,437	110,140,716	85,869,574	73,617,007	236,383,156	401,762,117	55,045,738	1,319,782,745

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

53. Financial risk management (continued)

53.3 Liquidity risk (continued)

Analysis of the remaining maturity of the financial assets and financial liabilities (continued)

	As at December 31, 2020 (Audited)							
	Past due/ undated	On demand	Less than 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
Borrowings from the central bank	(986,058)	–	–	–	–	–	–	(986,058)
Accounts payable to brokerage clients	–	(3,538,581)	(13,045,266)	–	–	–	–	(16,583,847)
Due to customers	–	(104,862,591)	(43,398,609)	(50,958,288)	(67,822,820)	(6,601,866)	–	(273,644,174)
Deposits from banks and financial institutions	–	(705,966)	(3,379,247)	(3,878,650)	(393,321)	(7,105,000)	(80,000)	(15,542,184)
Placements from banks and financial institutions	–	(218,872)	(3,894,405)	(7,398,027)	(2,533,030)	–	–	(14,044,334)
Financial liabilities at fair value through profit or loss	(12,243)	(73,468)	(2,132,973)	(2,452,077)	(2,173,593)	(419,984)	(12,571)	(7,276,909)
Financial assets sold under repurchase agreements	–	(1,683,280)	(8,875,256)	(3,948,122)	(1,484,020)	–	–	(15,990,678)
Borrowings	(504,059)	(32,800,248)	(33,776,825)	(57,783,285)	(355,787,720)	(73,495,718)	(2,764,293)	(556,912,148)
Bonds issued	–	–	(36,404)	(21,753,880)	(76,535,069)	(148,968,097)	(108,484,080)	(355,777,530)
Accounts payable	(82,353)	(4,589,211)	(63,263)	–	(127,814)	(24,052)	–	(4,886,693)
Other financial liabilities	(982,722)	(17,126,290)	(1,307,889)	(705,708)	(4,672,059)	(3,587,726)	(489,213)	(28,871,607)
Total financial liabilities	(2,567,435)	(165,598,507)	(109,910,137)	(148,878,037)	(511,529,446)	(240,202,443)	(111,830,157)	(1,290,516,162)
Net position	354,397,002	(55,457,791)	(24,040,563)	(75,261,030)	(275,146,290)	161,559,674	(56,784,419)	29,266,583

IV. EXPLANATORY NOTES (continued)

53. Financial risk management (continued)

53.4 Risk management of distressed assets

Risk of distressed assets represents the potential loss that may arise from a counterparty's failure to meet its obligation or changes in market conditions that lead to a decline in the asset value. Risk of distressed assets can also arise from operational failures due to unauthorized or inappropriate purchase, disposal or management activities, which result in the recoverable amount of the distressed assets lower than their carrying amounts.

Such distressed assets include acquisition-operation distressed assets, restructured distressed assets and equity instruments obtained through debt-to-equity swap.

The types of risk, their risk management procedures, fair value measurement techniques and impairment assessment are similar to those described in the consolidated financial statements for the year ended December 31, 2020.

53.5 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 the 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 the percentage of shareholdings, after making deduction as required by relevant rules and regulations. The Group is required to meet this minimum capital requirement stipulated by the CBIRC.

IV. EXPLANATORY NOTES (continued)

53. Financial risk management (continued)

53.5 Capital management (continued)

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 June 30, 2021 and December 31, 2020, the Company complied with the regulatory requirements on the minimum CAR.

54. 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: Management obtains valuation quotations from counterparties or uses valuation techniques to determine the fair value, including discounted cash flow analysis, net asset value, the 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 the weighted average cost of capital, liquidity discount, price to book ratio, etc.

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

54. Fair values of financial instruments (continued)

54.1 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 considered that the carrying amounts of financial assets and financial liabilities in the interim condensed consolidated financial statements approximate to their fair values.

	As at June 30, 2021 (Unaudited)	
	Carrying amount	Fair value
Financial assets		
Financial assets at amortized cost		
– Distressed debt assets	**165,314,470**	**159,478,777**
– Other debt investments	**44,621,769**	**43,897,049**
Accounts receivable	**3,635,023**	**3,595,903**
Total	**213,571,262**	**206,971,729**
Financial liabilities		
Borrowings	**(579,614,654)**	**(579,944,136)**
Bonds issued	**(380,668,477)**	**(382,975,514)**
Total	**(960,283,131)**	**(962,919,650)**

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

54. Fair values of financial instruments (continued)

54.1 Fair values of financial assets and financial liabilities that are not measured at fair value on a recurring basis (continued)

	As at December 31, 2020 (Audited)	
	Carrying amount	Fair value
Financial assets		
Financial assets at amortized cost		
– Distressed debt assets	176,506,416	170,475,461
– Other debt investments	43,726,540	43,565,315
Accounts receivable	3,255,410	3,216,272
Total	223,488,366	217,257,048
Financial liabilities		
Borrowings	(556,912,148)	(557,444,973)
Bonds issued	(355,777,530)	(358,033,552)
Total	(912,689,678)	(915,478,525)

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

54. Fair values of financial instruments (continued)

54.1 Fair values of financial assets and financial liabilities that are not measured at fair value on a recurring basis (continued)

	As at June 30, 2021			
	(Unaudited) Level 1	(Unaudited) Level 2	(Unaudited) Level 3	(Unaudited) Total
Financial assets				
Financial assets at amortized cost				
– Distressed debt assets	–	–	159,478,777	159,478,777
– Other debt investments	574,978	–	43,322,071	43,897,049
Accounts receivable	–	–	3,595,903	3,595,903
Total	574,978	–	206,396,751	206,971,729
Financial liabilities				
Borrowings	–	–	(579,944,136)	(579,944,136)
Bonds issued	–	(275,957,230)	(107,018,284)	(382,975,514)
Total	–	(275,957,230)	(686,962,420)	(962,919,650)

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

54. Fair values of financial instruments (continued)

54.1 Fair values of financial assets and financial liabilities that are not measured at fair value on a recurring basis (continued)

	As at December 31, 2020			
	(Audited) Level 1	(Audited) Level 2	(Audited) Level 3	(Audited) Total
Financial assets				
Financial assets at amortized cost				
– Distressed debt assets	–	–	170,475,461	170,475,461
– Other debt investments	576,158	–	42,989,157	43,565,315
Accounts receivable	–	–	3,216,272	3,216,272
Total	576,158	–	216,680,890	217,257,048
Financial liabilities				
Borrowings	–	–	(557,444,973)	(557,444,973)
Bonds issued	–	(254,681,290)	(103,352,262)	(358,033,552)
Total	–	(254,681,290)	(660,797,235)	(915,478,525)

The fair values of the financial assets and financial liabilities included in Level 2 and Level 3 above have been determined in accordance with generally accepted pricing models based on a discounted cash flow analysis, with the most significant input being the discount rate that reflects the credit risk of counterparties.

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

54. Fair values of financial instruments (continued)

54.2 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 input(s) used.

Financial assets/financial liabilities	Fair value As at June 30, 2021 (Unaudited)	Fair value As at December 31, 2020 (Audited)	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
1) Financial assets classified as at fair value through profit or loss	453,928,901	446,916,674				
Debt securities	25,983,839	13,804,996				
– Traded in stock exchanges	2,680,048	4,820,544	Level 1	• Quoted bid prices in an active market.	N/A	N/A
	4,017,809	328,674	Level 2	• Quoted market prices from dealers or independent pricing service vendors.	N/A	N/A
	18,928	9,622	Level 3	• Default rates of recovery.	• Expected recoverable amounts.	• The higher the expected recoverable amounts, the higher the fair value.
– Traded in inter-bank markets	2,971,150	19,422	Level 1	• Quoted bid prices in an active market.	N/A	N/A
	9,405,301	1,927,621	Level 2	• Quoted market prices from dealers or independent pricing service vendors.	N/A	N/A
– Traded over the counter	5,711,637	5,468,774				

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

54. Fair values of financial instruments (continued)

54.2 Fair values of financial assets and financial liabilities that are measured at fair value on a recurring basis (continued)

Financial assets/financial liabilities	Fair value As at June 30, 2021 (Unaudited)	Fair value As at December 31, 2020 (Audited)	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
– Traded in inactive markets	**1,178,966**	1,230,339	Level 3	• Discounted cash flows for the debt component and binomial option pricing model for the option component. • Future cash flows are estimated based on contractual amounts and coupon rates discounted at a rate that reflects the credit risk of the counterparty.	• Discount rates that correspond to the expected risk level. • Risk-free rates that are specific to the market. • Volatility rates that are in line with those of similar products.	• The lower the discount rates, the higher the fair value. • The lower the risk-free rate, the higher the fair value. • The higher the volatility rate, the higher the fair value.
Equity investments listed or traded on exchanges	**13,939,603**	13,561,934				
Unrestricted listed equity investments	**11,032,622**	9,992,025				
– Manufacturing	**3,540,533**	3,118,215	Level 1	• Quoted bid prices in an active market.	N/A	N/A
	1,142,132	1,128,098	Level 3	• Comparable listed company method, comparable transaction cases, etc.	• Market multiplier. • Discount for lack of marketability (DLOM).	• The higher the market multiplier, the higher the fair value. • The lower the DLOM, the higher the fair value.
– Financial services	**1,040,646**	868,338	Level 1	• Quoted bid prices in an active market.	N/A	N/A
– Leasing and commercial services	**242,802**	239,052	Level 1	• Quoted bid prices in an active market.	N/A	N/A

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

54. Fair values of financial instruments (continued)

54.2 Fair values of financial assets and financial liabilities that are measured at fair value on a recurring basis (continued)

Financial assets/financial liabilities	Fair value As at June 30, 2021 (Unaudited)	Fair value As at December 31, 2020 (Audited)	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
– Mining	**1,602,637**	1,749,933	Level 1	• Quoted bid prices in an active market.	N/A	N/A
– Transportation, warehousing and postal services	**851,258**	791,012	Level 1	• Quoted bid prices in an active market.	N/A	N/A
– Information transmission, software and information technology services	**95,846**	162,828	Level 1	• Quoted bid prices in an active market.	N/A	N/A
– Culture, sports and entertainment	**232,420**	229,371	Level 1	• Quoted bid prices in an active market.	N/A	N/A
– Scientific research, technical services and geological prospecting industry	**645,971**	709,347	Level 1	• Quoted bid prices in an active market.	N/A	N/A
– Health and social security industry	**329,484**	96,721	Level 1	• Quoted bid prices in an active market.	N/A	N/A
– Real estate	**147,655**	153,207	Level 1	• Quoted bid prices in an active market.	N/A	N/A
– Others	**1,161,238**	745,903	Level 1	• Quoted bid prices in an active market.	N/A	N/A
Restricted listed equity investments	**2,906,981**	3,569,909	Level 3	• Option pricing model.	• Stock volatility.	• The lower the stock volatility, the higher the fair value.
– Manufacturing	**48,988**	654,607				
– Culture, sports and entertainment	**3,799**	4,253				
– Mining	**2,496,479**	2,443,368				
– Others	**357,715**	467,681				

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

54. Fair values of financial instruments (continued)

54.2 Fair values of financial assets and financial liabilities that are measured at fair value on a recurring basis (continued)

Financial assets/financial liabilities	Fair value As at June 30, 2021 (Unaudited)	Fair value As at December 31, 2020 (Audited)	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
Equity investments in unlisted companies	**50,817,421**	49,474,894				
	47,195,820	45,988,513	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.
	3,621,601	3,486,381	Level 3	• Income approach.	• Expected future cash flow. • Discount rates that correspond to the expected risk level.	• The higher the future cash flow, the higher the fair value. • The lower the discount rate, the higher the fair value.
Mutual funds	**102,947,544**	108,997,761				
– Mutual funds with open or active quotations	**10,521,114**	9,293,021	Level 1	• Quoted bid prices in an active market.	N/A	N/A
	10,127,988	9,361,671	Level 2	• Quoted market prices from dealers or independent pricing service vendors.	N/A	N/A

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

54. Fair values of financial instruments (continued)

54.2 Fair values of financial assets and financial liabilities that are measured at fair value on a recurring basis (continued)

Financial assets/financial liabilities	Fair value As at June 30, 2021 (Unaudited)	Fair value As at December 31, 2020 (Audited)	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
– Investing in debt instruments	**51,454,168**	59,016,549	Level 3	• Discounted cash flow with future cash flow that are estimated based on expected recoverable amounts, discounted at rates that reflect management's best estimation of the expected risk level.	• Expected future cash flow. • Expected recovery date. • Discount rates that correspond to the expected risk level.	• The more the future cash flow, 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	**523,055**	592,870	Level 1	• Quoted bid prices in an active market.	N/A	N/A
– Investing in other equity instruments	**30,321,219**	30,733,650	Level 3	• Comparable listed company method, comparable transaction cases, etc.	• Market multiplier. • Discount for lack of marketability (DLOM).	• The higher the market multiplier, the higher the fair value. • The lower the DLOM, the higher the fair value.

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

54. Fair values of financial instruments (continued)

54.2 Fair values of financial assets and financial liabilities that are measured at fair value on a recurring basis (continued)

Financial assets/financial liabilities	Fair value: As at June 30, 2021 (Unaudited)	Fair value: As at December 31, 2020 (Audited)	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
Debt instruments	**27,752,629**	31,674,575				
– Other debt instruments	**26,975,424**	30,836,483	Level 3	• Discounted cash flows with future cash flows that are estimated based on expected recoverable amounts, discounted at rates that reflect management's best estimation of the expected risk level.	• Expected recoverable amounts. • Expected recovery date. • Discount rates that correspond to the expected risk level.	• The higher the recoverable amounts, the higher the fair value. • The earlier the recovery date, the higher the fair value. • The lower the discount rates, the higher the fair value.
– Embedded derivative debts	**777,205**	838,092	Level 3	• Discounted cash flows for the debt component and binomial option pricing model for the option component.	• Expected future cash flows. • Discount rates that correspond to the expected risk level. • Stock price volatility.	• The more the future cash flows, the higher the fair value. • The lower the discount rate, the higher the fair value. • The higher the stock price volatility, the higher the fair value.

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

54. Fair values of financial instruments (continued)

54.2 Fair values of financial assets and financial liabilities that are measured at fair value on a recurring basis (continued)

Financial assets/financial liabilities	Fair value As at June 30, 2021 (Unaudited)	Fair value As at December 31, 2020 (Audited)	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
Derivative financial assets	**2,234,576**	2,416,116				
	208,778	225,262	Level 1	• Quoted bid prices in an active market.	N/A	N/A
	462,588	577,530	Level 2	• Valuation techniques based on market data including interest rate and foreign exchange rate.	N/A	N/A
	1,563,210	1,613,324	Level 3	• Discounted cash flows with future cash flows that are estimated based on expected recoverable amounts, discounted at rates that reflect management's best estimation of the expected risk level.1 (i)	• Expected recoverable amounts. • Expected recovery date. • Discount rates that correspond to the expected risk level.	• The higher the recoverable amounts, the higher the fair value. • The earlier the recovery date, the higher the fair value. • The lower the discount rates, the higher the fair value.

(i) The fair values of the option contracts were calculated based on the difference between the put values as of the exercise date adjusted by the time value of money and the credit valuation adjustment; and the carrying values of the investment of the Group. The fair values of the forward contracts were calculated based on the difference between the forward settlement price, adjusted by the time value of money and the credit valuation adjustment; and the carrying values of the investment of the Group.

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

54. Fair values of financial instruments (continued)

54.2 Fair values of financial assets and financial liabilities that are measured at fair value on a recurring basis (continued)

Financial assets/financial liabilities	Fair value As at June 30, 2021 (Unaudited)	Fair value As at December 31, 2020 (Audited)	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
Distressed debt assets	**200,841,511**	198,746,185	Level 3	• Discounted cash flows with future cash flows that are estimated based on expected recoverable amounts, discounted at rates that reflect management's best estimation of the expected risk level.	• Expected recoverable amounts. • Expected recovery date. • Discount rates that correspond to the expected risk level.	• The higher the recoverable amounts, the higher the fair value. • The earlier the recovery date, the higher the fair value. • The lower the discount rates, the higher the fair value.
Wealth management products	**1,335,131**	2,344,900	Level 3	• Discounted cash flows with future cash flows that are estimated based on expected recoverable amounts, discounted at rates that reflect management's best estimation of the expected risk level.	• Expected future cash flows. • Expected recovery date. • Discount rates that correspond to the expected risk level.	• The more 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.

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

54. Fair values of financial instruments (continued)

54.2 Fair values of financial assets and financial liabilities that are measured at fair value on a recurring basis (continued)

Financial assets/financial liabilities	Fair value As at June 30, 2021 (Unaudited)	Fair value As at December 31, 2020 (Audited)	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
Assets management plans	**1,619,696**	1,351,141				
– Investing in the portfolio with open or active quotations	**476,014**	377,082	Level 2	• Quoted market prices from dealers or independent pricing service vendors.	N/A	N/A
– Investing in debt instruments	**83,716**	257,196	Level 3	• Discounted cash flow with future cash flows that are estimated based on expected recoverable amounts, discounted at rates that reflect management's best estimation of the expected risk level.	• Expected future cash flow. • Expected recovery date. • Discount rates that correspond to the expected risk level.	• The more 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.
– Investing in equity instruments	**1,059,966**	716,863	Level 3	• Comparable listed company method, comparable transaction cases, etc.	• Market multiplier. • Discount for lack of marketability (DLOM).	• The higher the market multiplier, the higher the fair value. • The lower the DLOM, the higher the fair value.

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

54. Fair values of financial instruments (continued)

54.2 Fair values of financial assets and financial liabilities that are measured at fair value on a recurring basis (continued)

Financial assets/financial liabilities	Fair value As at June 30, 2021 (Unaudited)	Fair value As at December 31, 2020 (Audited)	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
Asset-backed securities	**1,195,481**	756,174	Level 3	• Discounted cash flow with future cash flows that are estimated based on expected recoverable amounts, discounted at rates that reflect management's best estimation of the expected risk level.	• Expected future cash flow. • Expected recovery date. • Discount rates that correspond to the expected risk level.	• The more 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.
Trust products and rights to trust assets	**25,205,647**	23,732,087				
– Investing in the portfolio with open or active market quotations	**525,222**	215,366	Level 2	• Quoted market prices from dealers or independent pricing service vendors.	N/A	N/A
– Investing in debt instruments	**21,412,126**	20,867,860	Level 3	• Discounted cash flow with future cash flows that are estimated based on expected recoverable amounts, discounted at rates that reflect management's best estimation of the expected risk level.	• Expected future cash flow. • Expected recovery date. • Discount rates that correspond to the expected risk level.	• The more 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.

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

54. Fair values of financial instruments (continued)

54.2 Fair values of financial assets and financial liabilities that are measured at fair value on a recurring basis (continued)

Financial assets/financial liabilities	Fair value As at June 30, 2021 (Unaudited)	Fair value As at December 31, 2020 (Audited)	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
– Investing in equity instruments	**3,268,299**	2,648,861	Level 3	• Comparable listed company method, comparable transaction cases, etc.	• Market multiplier. • Discount for lack of marketability (DLOM).	• The higher the market multiplier, the higher the fair value. • The lower the DLOM, the higher the fair value.
Others	**55,823**	55,911				
– Investing in the portfolio with open or active market quotations	**7,643**	7,732	Level 2	• Quoted market prices from dealers or independent pricing service vendors.	N/A	N/A
– Investing in debt instruments	**48,180**	48,179	Level 3	• Discounted cash flows with future cash flows that are estimated based on expected recoverable amounts, discounted at rates that reflect management's best estimation of the expected risk level.	• Expected future cash flows. • Expected recovery date. • Discount rates that correspond to the expected risk level.	• The more 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.

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

54. Fair values of financial instruments (continued)

54.2 Fair values of financial assets and financial liabilities that are measured at fair value on a recurring basis (continued)

Financial assets/financial liabilities	Fair value: As at June 30, 2021 (Unaudited)	Fair value: As at December 31, 2020 (Audited)	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
2) Loans and advances to customers at fair value through profit or loss						
– Loans and advances	**19,022,010**	19,546,738	Level 3	• Discounted cash flows with future cash flows that are estimated based on expected recoverable amounts, discounted at rates that reflect management's best estimation of the expected risk level.	• Expected recoverable amounts. • Expected recovery date. • Discount rates that correspond to the expected risk level.	• The higher the recoverable amounts, the higher the fair value. • The earlier the recovery date, the higher the fair value. • The lower the discount rates, the higher the fair value.
3) Financial assets at fair value through other comprehensive income	**120,099,384**	123,728,468				
Debt investments at fair value through other comprehensive income	**115,505,798**	119,255,383				
Debt securities	**114,036,243**	108,661,273				
– Traded on stock exchanges	**18,834,760**	21,737,439	Level 1	• Quoted bid prices in an active market.	N/A	N/A
– Traded in inter-bank markets	**52,533,545**	35,141,914	Level 2	• Quoted market prices from dealers or independent pricing service vendors.	N/A	N/A
– Traded over the counter	**42,667,938**	51,781,920				

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

54. Fair values of financial instruments (continued)

54.2 Fair values of financial assets and financial liabilities that are measured at fair value on a recurring basis (continued)

Financial assets/financial liabilities	Fair value As at June 30, 2021 (Unaudited)	Fair value As at December 31, 2020 (Audited)	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
Certificates of deposit	**1,469,555**	10,594,110	Level 2	• Quoted market prices from dealers or independent pricing service vendors.	N/A	N/A
Equity instruments designated as at fair value through other comprehensive income	**4,593,586**	4,473,085				
Restricted listed equity investments	**4,546,495**	4,427,545				
– Manufacturing	**3,562,321**	3,443,371	Level 3	• Option pricing model.	• Stock volatility.	• The lower the stock volatility, the higher the fair value.
– Financial service	**984,174**	984,174	Level 3	• Option pricing model.	• Stock volatility.	• The lower the stock volatility, the higher the fair value.
Unlisted equity instruments	**47,091**	45,540				
– Financial service	**47,091**	45,540	Level 3	• Income approach.	• Expected future cash flow. • Discount rates that correspond to the expected risk level.	• The more 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	**(5,925,168)**	(7,276,909)				

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

54. Fair values of financial instruments (continued)

54.2 Fair values of financial assets and financial liabilities that are measured at fair value on a recurring basis (continued)

Financial assets/financial liabilities	Fair value As at June 30, 2021 (Unaudited)	Fair value As at December 31, 2020 (Audited)	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
– Short positions in exchange fund bills and notes	**(4,823,471)**	(5,597,737)	Level 2	• Calculated based on the quoted prices of similar assets traded in an active market.	N/A	N/A
– OTC derivative financial liabilities	**(793,801)**	(1,616,565)	Level 2	• Calculated based on the quoted prices of similar assets traded in an active market.	N/A	N/A
– Financing payables linked to stock index	**(307,896)**	(62,607)	Level 2	• Calculated based on the quoted prices of similar assets traded in an active market.	N/A	N/A

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

54. Fair values of financial instruments (continued)

54.2 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:

	As at June 30, 2021 (Unaudited)			
	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss	26,794,635	30,734,202	396,400,064	453,928,901
Loans and advances to customers	–	–	19,022,010	19,022,010
Financial assets at fair value through other comprehensive income	18,834,760	96,671,038	4,593,586	120,099,384
Total assets	45,629,395	127,405,240	420,015,660	593,050,295
Financial liabilities at fair value through profit or loss	–	(5,925,168)	–	(5,925,168)
Total liabilities	–	(5,925,168)	–	(5,925,168)

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

54. Fair values of financial instruments (continued)

54.2 Fair values of financial assets and financial liabilities that are measured at fair value on a recurring basis (continued)

	As at December 31, 2020 (Audited)			
	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss	23,815,046	18,264,450	404,837,178	446,916,674
Loans and advances to customers	–	–	19,546,738	19,546,738
Financial assets at fair value through other comprehensive income	21,737,439	97,517,944	4,473,085	123,728,468
Total assets	45,552,485	115,782,394	428,857,001	590,191,880
Financial liabilities at fair value through profit or loss	–	(7,276,909)	–	(7,276,909)
Total liabilities	–	(7,276,909)	–	(7,276,909)

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

54. Fair values of financial instruments (continued)

54.2 Fair values of financial assets and financial liabilities that are measured at fair value on a recurring basis (continued)

There were no transfers between Level 1 and Level 2 for the financial assets and the financial liabilities measured at fair value during the period/year.

The fair values of the financial assets and financial liabilities included in Level 2 and Level 3 above have been determined in accordance with generally accepted pricing models based on a discounted cash flow analysis, with the most significant inputs being the future cash flows and discount rates that reflects the credit risk of counterparties.

54.3 Reconciliation of Level 3 fair value measurements

	(Unaudited)		
	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	(1,631,372)	–	–
Recognized in other comprehensive income	–	120,501	–
Purchases	34,346,361	–	–
Settlements/disposals at cost	(40,672,071)	–	–
Transfer out from Level 3	(480,032)	–	–
As at June 30, 2021	396,400,064	4,593,586	–
Unrealized gains or losses for the period included in profit or loss for assets/liabilities held as at June 30, 2021	(1,761,561)	–	–

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

54. Fair values of financial instruments (continued)

54.3 Reconciliation of Level 3 fair value measurements (continued)

	(Audited)		
	Financial assets at FVTPL	Financial assets at FVOCI	Financial liabilities at FVTPL
As at January 1, 2020	379,688,187	4,227,563	–
Recognized in profit or loss	(1,968,615)	–	–
Recognized in other comprehensive income	–	(738,652)	–
Purchases	98,797,969	984,174	–
Settlements/disposals at cost	(68,073,771)	–	–
Transfer in Level 3	500	–	–
Transfer out from Level 3	(3,607,092)	–	–
As at December 31, 2020	404,837,178	4,473,085	–
Unrealized gains or losses for the year included in profit or loss for assets/ liabilities held at the end of the year	(451,885)	–	–

Certain restricted equity instruments became tradable during the first half of year 2021, and quoted prices in active markets were available for these securities. Therefore, these securities were transferred from Level 3 to Level 1 of the fair value hierarchy at the end of the reporting period.

Total gains or losses for the six months ended June 30, 2021 and the year ended December 31, 2020 included in the statement of profit or loss as well as total gains or losses included in the statement of profit or loss relating to financial instruments held as at June 30, 2021 and December 31, 2020 are presented 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.

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

55. Discontinued operation

On December 13, 2019, the Company entered into a Sale and Purchase Agreement with Champion Property & Casualty Insurance Co., Ltd. and Dongguan Communications Investment Group Co., Ltd.. The Company sold 50.995% of the equity interests held in Happy Life for RMB7.5 billion. With Happy Life being classified as held for sale, the insurance businesses are no longer presented in the Group's segment note. Happy life constitutes a discontinued operation. As at June 30, 2020, the disposal procedure had not been completed. The disposal was completed in July 2020 in accordance with the terms and conditions of the Sale and Purchase Agreement. Upon the completion, Happy Life ceased to be included in the consolidated financial statements as a subsidiary of the Group.

55.1 The results of the discontinued operation for the period

	Period ended June 30	
	2021 (Unaudited)	2020 (Unaudited)
Fair value changes on other financial instruments	–	1,023,234
Investment income	–	226,146
Net insurance premiums earned	–	6,542,715
Interest income	–	502,407
Commission and fee income	–	29,519
Other income and other net gains or losses	–	(6,495)
Total	–	8,317,526
Interest expense	–	(142,282)
Insurance costs	–	(6,847,594)
Commission and fee expense	–	(619,347)
Employee benefits	–	(319,108)
Taxes and surcharges	–	(3,481)
Depreciation and amortization expenses	–	–
Other expenses	–	(101,380)
Impairment losses on assets	–	(808)
Total	–	(8,034,000)

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

55. Discontinued operation (continued)

55.1 The results of the discontinued operation for the period (continued)

	Period ended June 30	
	2021 (Unaudited)	2020 (Unaudited)
Change in net assets attributable to other holders of consolidated structured entities	–	47
Profit before share of results of associates and joint ventures and tax	–	283,573
Share of results of associates and joint ventures	–	12,947
Profit before tax from the discontinued operation	–	296,520
Income tax (expense)/credit from the discontinued operation	–	(27,851)
Profit for the period from the discontinued operation	–	268,669
Earnings per share attributable to ordinary equity holders of the Company from the discontinued operation (Expressed in RMB Yuan per share)		
– Basic	–	0.01
– Diluted	–	0.01

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

55. Discontinued operation (continued)

55.2 Net cash flows from the discontinued operation

	Period ended June 30	
	2021 (Unaudited)	2020 (Unaudited)
Operating	–	(3,685,745)
Investing	–	3,547,961
Financing	–	(6,200)
Net cash outflow	–	(143,984)

55.3 Gain on disposal of the discontinued operation

	At the date of disposal
Total consideration	7,500,000
Less: Net assets disposed of	2,557,453
Cumulative other comprehensive income reclassified to the statement of profit or loss	235,640
Tax effect of a discontinued operation	1,200,107
Gain on disposal of the discontinued operation	3,506,800

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

55. Discontinued operation (continued)

55.4 Net assets of Happy Life at the date of disposal

	At the date of disposal
Cash and balances with central banks	43
Deposits with banks and financial institutions	1,291,122
Deposits with exchanges and others	728
Financial assets at fair value through profit or loss	34,613,629
Financial assets held under resale agreements	1,174,743
Financial assets at fair value through other comprehensive income	13,241,266
Financial assets at amortized cost	6,651,337
Accounts receivable	337,022
Investment properties	124,399
Interests in associates and joint ventures	811,499
Property and equipment	118,973
Other intangible assets	44,192
Deferred tax assets	52,553
Other assets	2,248,297
Less: Accounts payable	36,490
Investment contract liabilities for policyholders	8,442,736
Insurance contract liabilities	38,864,239
Bonds issued	6,139,988
Deferred tax liabilities	48,320
Other liabilities	2,162,924
Net assets	5,015,106
Attributable to:	
Equity holders of the Company	2,557,453
Non-controlling interests	2,457,653

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

55. Discontinued operation (continued)

55.5 Net cash flows from the disposal of the discontinued operation

	At the date of disposal
Cash consideration received from disposal	7,500,000
Less: cash and cash equivalents balances disposed of	1,330,241
Net cash inflow from disposal	6,169,759

56. Acquisition of subsidiaries

During the period, the Group acquired some subsidiaries. None of these acquisitions were individually significant, and their aggregated information is set out below:

Consideration paid:

	Period ended June 30, 2021
Cash consideration paid	–

Analysis of assets and liabilities of the subsidiaries acquired:

	As at the date of acquisition
Total assets	8,650,313
Total liabilities	(8,650,313)

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

56. Acquisition of subsidiaries (continued)

Net cash flows arising on acquisition:

	Period ended June 30, 2021
Cash consideration paid	–
Cash and cash equivalents balances acquired	**179,802**
Net cash flows	**179,802**

For the six months ended June 30, 2020, the Group had no acquisition of subsidiaries.

57. Disposal of subsidiaries

During the period, the Group disposed of some of its subsidiaries. None of these disposals were individually significant and their aggregated information is set out below:

Consideration received:

	Period ended June 30, 2021
Cash received	**18,210**

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

57. Disposal of subsidiaries (continued)

Analysis of assets and liabilities of the subsidiaries disposed of:

	As at the date of disposal
Total assets	105,530
Total liabilities	(71,559)

Net cash flows arising on disposal:

	Period ended June 30, 2021
Cash consideration received	**18,210**
Less: Cash and cash equivalent balances disposed of	**16,673**
Net cash flows	**1,537**

For the six months ended June 30, 2020, the Group had no disposal of subsidiaries.

V. EVENTS AFTER THE REPORTING PERIOD

1. Pursuant to the terms and conditions of the Offshore Preference Shares, the Company intends to redeem the Offshore Preference Shares in whole on September 30, 2021 The aggregate redemption price of the Offshore Preference Shares equals to the sum of USD3,200 million as the aggregate amount of the liquidation preference of the Offshore Preference Shares and the Dividends to be paid to the holders of the Offshore Preference Shares in an amount of USD142.40 million, a total of USD3,342.40 million. The Company has received a reply letter from the CBIRC.

2. The Company completed issuance of the 2021 Undated Capital Bonds (First Tranche) (the "Bonds") in China's national inter-bank bond market on 16 August 2021. The size of issuance of the Bonds is RMB10 billion. The coupon rate is 4.40% during the first five years and will be reset every 5 years. The issuer shall have a conditional redemption right on every dividend payment date from the fifth year onwards.

VI. APPROVAL OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The interim condensed consolidated financial statements have been approved by the Board of Directors of the Company on August 27, 2021.

THE COMPANY

China Cinda Asset Management Co., Ltd.
No. 1 Building
9 Naoshikou Street
Xicheng District
Beijing, the PRC

FISCAL AGENT, CALCULATION AGENT AND PAYING AGENT

China Construction Bank (Asia) Corporation Limited
20/F CCB Tower
3 Connaught Road Central
Central, Hong Kong

REGISTRAR AND TRANSFER AGENT

China Construction Bank (Asia) Corporation Limited
20/F CCB Tower
3 Connaught Road Central
Central, Hong Kong

RECEIVING AGENT

ICBC (Asia) Trustee Company Limited
Level 16, Tower 1, Millennium City 1
388 Kwun Tong Road
Kwun Tong, Kowloon
Hong Kong

LEGAL ADVISERS

To the Company as to Hong Kong law

Linklaters
11th Floor, Alexandra House
Chater Road
Central, Hong Kong

To the Company as to PRC law

King & Wood Mallesons
18th Floor, East Tower, World Financial Center
1 Dongsanhuan Zhonglu
Chaoyang District
Beijing, China

To the Joint Lead Managers as to Hong Kong law

Allen & Overy
9th Floor
Three Exchange Square
Central, Hong Kong

To the Joint Lead Managers as to PRC law

Haiwen & Partners
20th Floor, Fortune Financial Center
5 Dong San Huan Central Road
Chaoyang District
Beijing, China

AUDITOR

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