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

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

2023 ANNUAL RESULTS ANNOUNCEMENT

The board of directors (the "**Board**") of China Cinda Asset Management Co., Ltd. (the "**Company**") is pleased to announce the audited results of the Company and its subsidiaries for the year ended December 31, 2023. This announcement, containing the full text of the 2023 Annual Report of the Company, complies with the relevant content requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited in relation to preliminary announcements of annual results. The Company's 2023 Annual Report will be released and available for viewing on the websites of The Stock Exchange of Hong Kong Limited at www.hkexnews.hk and of the Company at www.cinda.com.cn in late April 2024.

By Order of the Board
China Cinda Asset Management Co., Ltd.
ZHANG Weidong
Chairman

Beijing, the PRC
March 26, 2024

As at the date of this announcement, the Board consists of Mr. ZHANG Weidong, Mr. LIANG Qiang and Mr. ZHAO Limin as executive Directors, Mr. WANG Shaoshuang and Mr. CHEN Xiaowu as non-executive Directors, and Mr. LU Zhengfei, Mr. LAM Chi Kuen, Mr. WANG Changyun, Mr. SUN Maosong and Ms. SHI Cuijun as independent non-executive Directors.

COMPANY PROFILE

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

Our principal business segments include distressed asset management and financial services. Distressed asset management is the core business of the Company. The Company has 33 branches in 30 provinces, autonomous regions and municipalities in mainland China and seven subsidiaries as platforms for providing distressed asset management and financial services in mainland China and Hong Kong, including Nanyang Commercial Bank, Limited, Cinda Securities Co., Ltd., China Jingu International Trust Co., Ltd., Cinda Financial Leasing Co., Ltd., China Cinda (HK) Holdings Company Limited, Cinda Investment Co., Ltd. and Zhongrun Economic Development Co., Ltd. The Group had approximately 14,000 employees at the end of 2023.

In 2023, the Company won various awards, including the "2023 Outstanding Listed Company" of the China Securities Golden Bauhinia Awards, the "2023 Industry Leader" in the selection of the 21st Century Financial Development Excellent Case, the "China Top 100 Enterprise Award" and the "China Top 100 Best Operation Management Award" of the China Top 100 Listed Companies Forum, the Brand Finance 2023 in UK "Top 10 Asset Management Brand", the "China Top 500 Listed Company in Philanthropy" by the China Enterprises Philanthropy Forum, the "Excellent Cases of Serving the Real Economy" of the Financial Enterprises Social Responsibility Forum's "Blue Book of Responsible Finance (2023)", the "Annual Case in Social Responsibility" by China Finance Brand Case Competition, the "Jinnuo•China Financial Annual Excellent Social Responsibility Project" of the China Banking and Insurance News, the "Gold Finance•Outstanding Institution LP" of the Shanghai Securities News, and the "Innovation and Development Good News Award of the Banking Industry" of the China Banking Association.

CORPORATE CULTURE

Our mission

To provide excellent services for the customers
To create the best return for the shareholders
To build development platforms for the employees
To resolve financial risks for the country
To undertake more responsibilities for the society

Our vision

To become a world-famous brand of asset management and financial services, and build a modern financial enterprise with core competency

Our core values

"Start from good faith, achieve through action" – integrity, integration, innovation and excellence

Our basic principles

Operational concept: Market-oriented and focus on benefits
Service concept: Customer first and trustworthiness
Competitive concept: Entrepreneurship and pioneer
Risk concept: Bottom line defense and proactive management
Management concept: Respect for rules, stringency and effectiveness
Talent concept: Hiring based on talent, position based on competence
Responsibility concept: Task taker and due diligence
Team concept: Solidarity, diligence, simplicity

High-quality development concept: Professional management, efficiency first, value creation

Core corporate culture concept: Simple and fresh, sunshine and inclusive, and sword spirit

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DEFINITIONS

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

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

"H Share(s)"	ordinary share(s) with nominal value of RMB1.00 each in the share capital of the Company, which is (are) listed on the Hong Kong Stock Exchange
"Hong Kong Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended from time to time
"Hong Kong SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended from time to time
"Hong Kong Stock Exchange"	The Stock Exchange of Hong Kong Limited
"IFRS Accounting Standards"	International Financial Reporting Standards Accounting Standards issued by the International Accounting Standards Board
"Jingu Trust"	China Jingu International Trust Co., Ltd., a subsidiary of the Company
"Latest Practicable Date"	March 22, 2024, being the latest practicable date for the purpose of ascertaining certain information contained in this report prior to its publication
"MOF"	the Ministry of Finance of the PRC
"NFRA"	National Financial Regulatory Administration
"NCB"	NCB Hong Kong and its subsidiaries
"NCB China"	Nanyang Commercial Bank (China) Limited, a wholly-owned subsidiary of NCB Hong Kong
"NCB Hong Kong"	Nanyang Commercial Bank, Limited, a licensed bank in Hong Kong, a subsidiary of the Company
"NCSSF"	National Council for Social Security Fund, PRC
"PBOC"	the People's Bank of China
"PRC GAAP"	Accounting Standards for Business Enterprises and the Application Guidance thereof promulgated by MOF, as well as other relevant regulations
"Reporting Period"	the year ended December 31, 2023
"RMB"	Renminbi
"State Council"	the State Council of the People's Republic of China
"Zhongrun Development"	Zhongrun Economic Development Co., Ltd., a subsidiary of the Company

IMPORTANT NOTICE

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

On March 26, 2024, at the 2024 first meeting and the 2024 first regular meeting of the Board, the Board considered and approved the 2023 Annual Report (2023 Annual Results Announcement) of the Company. There were 10 Directors eligible to attend the meeting, of whom 10 Directors attended in person.

The annual financial reports for 2023 prepared by the Company according to the PRC GAAP and IFRS Accounting Standards, respectively, were audited by PricewaterhouseCoopers Zhong Tian LLP and PricewaterhouseCoopers in accordance with the Chinese and International Standards on Auditing, respectively, and they have issued the standard and unqualified audit reports for the Company.

The Board proposed to distribute a cash dividend for ordinary shares of RMB0.4576 per 10 shares (tax inclusive) for 2023 to shareholders, which is subject to the approval at the annual general meeting for 2023.

Board of Directors of China Cinda Asset Management Co., Ltd.
March 26, 2024

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

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

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

This report is prepared in both Chinese and English. In case of any discrepancy between the two versions, the Chinese version shall prevail.

1 CORPORATE INFORMATION

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

2 FINANCIAL SUMMARY

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

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

	As at and for the year ended December 31,				
	2023	2022	2021	2020	2019
	(in millions of RMB)				
Continuing operations					
Income from distressed debt assets at amortized cost	**6,084.2**	10,070.7	13,466.6	19,150.7	16,403.6
Fair value changes on distressed debt assets	**7,618.4**	11,284.3	15,475.8	12,547.0	13,645.3
Fair value changes on other financial instruments	**11,214.2**	5,410.4	14,674.8	12,566.5	14,840.1
Investment income	**289.2**	216.8	156.8	322.5	464.5
Interest income	**33,061.5**	27,394.9	25,100.8	23,899.2	25,401.6
Revenue from sales of inventories	**9,502.4**	16,068.3	20,385.5	24,316.3	18,169.4
Other income and other net gains or losses	**8,397.9**	10,543.0	8,470.7	7,331.8	7,222.4
Total income	**76,167.8**	80,988.4	97,731.0	100,134.0	96,146.9
Interest expense	**(44,080.5)**	(40,081.1)	(41,936.9)	(39,618.5)	(44,366.6)
Impairment losses on assets	**(9,749.5)**	(13,258.0)	(11,722.9)	(14,096.8)	(8,924.2)
Purchases and changes in inventories	**(7,716.7)**	(12,859.5)	(16,906.4)	(17,360.4)	(12,868.8)
Other costs and expenses	**(12,850.1)**	(13,268.0)	(13,582.3)	(12,984.0)	(12,398.2)
Total costs and expenses	**(74,396.8)**	(79,466.6)	(84,148.5)	(84,059.7)	(78,557.8)
Change in net assets attributable to other holders of consolidated structured entities	**(18.3)**	(47.5)	(20.1)	(17.8)	(237.5)
Share of results of associates and joint ventures	**6,433.5**	8,983.3	5,816.5	252.7	1,920.8
Profit before tax from continuing operations	**8,186.3**	10,457.6	19,378.9	16,309.3	19,272.4
Income tax expense	**(1,192.8)**	(3,226.3)	(6,378.4)	(5,324.0)	(5,754.6)
Profit for the year from continuing operations	**6,993.5**	7,231.3	13,000.5	10,985.2	13,517.8
Discontinued operation					
Profit after tax for the year from a discontinued operation	**–**	–	–	3,752.0	1,500.4
Profit for the year	**6,993.5**	7,231.3	13,000.5	14,737.3	15,018.2
Profit attributable to:					
— Equity holders of the Company	**5,820.9**	6,313.4	12,061.7	13,247.9	13,052.9
— Non-controlling interests	**1,172.6**	917.9	938.7	1,489.4	1,965.3

	As at and for the year ended December 31,				
	2023	2022	2021	2020	2019
	(in millions of RMB)				
Assets					
Cash and balances with central banks	**15,237.5**	16,677.4	18,045.7	15,375.0	19,002.1
Deposits with banks and financial institutions	**81,997.6**	97,830.1	99,921.3	87,953.6	70,837.6
Financial assets at fair value through profit or loss	**518,309.8**	503,495.9	456,203.8	446,916.7	412,164.6
Financial assets at fair value through other comprehensive income	**170,875.9**	130,487.7	122,592.3	123,728.5	136,803.0
Loans and advances to customers	**403,161.8**	396,530.0	368,031.4	353,456.3	337,859.1
Financial assets at amortized cost	**119,749.9**	169,994.3	183,535.0	220,233.0	227,645.1
Assets held for sale	**–**	–	–	–	61,394.2
Other assets	**285,024.9**	300,973.6	315,949.8	270,420.5	247,524.3
Total assets	**1,594,357.4**	1,615,989.0	1,564,279.3	1,518,083.6	1,513,230.0
Liabilities					
Borrowings from the central bank	**986.1**	986.1	996.0	986.1	1,010.9
Accounts payable to brokerage clients	**17,264.1**	19,107.2	17,605.6	16,583.8	14,320.3
Due to Customers	**339,219.8**	323,040.5	298,748.1	273,644.2	275,205.8
Borrowings	**558,870.5**	615,357.9	555,079.1	556,912.1	536,591.3
Accounts payable	**4,783.0**	4,946.9	5,389.5	4,886.7	5,050.8
Bonds Issued	**302,762.1**	292,882.8	367,806.7	355,777.5	304,849.6
Liabilities held for sale	**–**	–	–	–	57,924.1
Other liabilities	**153,315.7**	151,672.5	116,878.8	114,250.8	129,866.7
Total liabilities	**1,377,201.3**	1,407,993.9	1,362,503.8	1,323,041.2	1,324,819.5
Equity					
Equity attributable to equity holders of the Company	**192,829.0**	188,205.7	178,800.8	172,108.7	164,898.1
Non-controlling interests	**24,327.2**	19,789.4	22,974.7	22,933.7	23,512.3
Total equity	**217,156.2**	207,995.1	201,775.5	195,042.4	188,410.5
Total equity and liabilities	**1,594,357.4**	1,615,989.0	1,564,279.3	1,518,083.6	1,513,230.0

	As at and for the year ended December 31,				
	2023	2022	2021	2020	2019
	(in millions of RMB)				
Financial indicators					
Return on average shareholders' equity[(1)] (%)	**2.70**	3.38	7.15	8.26	8.56
Return on average assets[(2)] (%)	**0.44**	0.45	0.84	0.97	1.00
Cost-to-income ratio[(3)] (%)	**22.96**	19.22	16.44	14.01	14.71
Earnings per share[(4)] (RMB)	**0.11**	0.14	0.29	0.32	0.31
Net assets per share[(5)] (RMB)	**4.19**	4.07	4.14	3.95	3.76

Notes:

(1) Represents the percentage of net profit (including net profit from a discontinued operation) attributable to ordinary shareholders of the Company for the period in the average balance of equity attributable to ordinary shareholders of the Company as at the beginning and the end of the period.

(2) Represents the percentage of net profit for the period (including profit attributable to non-controlling interests and net profit from a discontinued operation) in the average balance of total assets as at the beginning and the end of the period.

(3) Calculated in accordance with the requirements of the Measures for the Performance Evaluation of Financial Enterprises (Cai Jin [2016] No. 35) issued by the MOF, the comparative figures of previous years have been restated accordingly.

(4) Represents the net profit for the period (including net profit from a discontinued operation) attributable to ordinary shareholders of the Company divided by the weighted average number of ordinary shares in issue.

(5) Represents the net assets attributable to equity holders of the Company after deducting the amount of the preference shares and perpetual bonds at the end of the period divided by the number of ordinary shares as at the end of the period.

3 CHAIRMAN'S STATEMENT

2023 was the year for fully implementing the guiding principles of the 20th National Congress of the CPC, the year witnessing an economic recovery and the year in which China Cinda advanced with great determination. Over the year, China Cinda, guided by the Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era, studied deeply the guiding principles of the 20th CPC National Congress and the second plenary session of the 20th CPC Central Committee, following the guiding principles of the Central Financial Work Conference and the Central Economic Work Conference, and launched the themed education on the Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era to follow the new development concept completely, correctly and comprehensively. We, sticking to the general work tone of pursuing progress while ensuring stability, focused on our main business and excelled in our profession to promote the high-quality development in preventing and defusing risk and serving the real economy.

As at the end of 2023, the Group's total assets amounted to RMB1.6 trillion, and profit attributable to equity holders of the Company amounted to RMB5.82 billion for the year. The Board proposed to distribute an annual cash dividend of RMB0.4576 per 10 shares to shareholders, which is subject to the approval at the annual general meeting. These results would never have happened without the efforts of all 14,000 Cindaers, the guidance and assistance of the superior authorities, strong support from thousands of customers, and the trust and companionship of every shareholder.

Stay true to founding mission and original aspiration for new results in preventing and defusing risk

We stayed committed to the positioning as an AMC by standing up to be the "fire brigade" of risk prevention and mitigation and the "main force" in serving the real economy. Bearing in mind our responsibilities and missions, we held on to our main business to help distressed institutions to revive from difficulties, playing an effective role in market clearance and inventory revitalization.

We continued to improve and empower the main business of distressed assets of financial institutions by participating in the reform and risk mitigation of small and medium-sized financial institutions. We acquired a total scale of RMB180 billion of distressed assets from financial institutions in the year, effectively easing the operating pressure of financial institutions.

We actively bailed out distressed enterprises. We made full use of the experience, products, and talent advantages accumulated over the past 25 years and integrated a variety of financial instruments to customize financial solutions aiming at value enhancement. We have established two batches of distressed enterprises investment funds both with a RMB30 billion scale, which have helped solve RMB258.6 billion of distressed assets. We, joint with industrial investors, have funded a number of enterprises through bankruptcy and reorganization to revive. We supported the government's efforts in "ensuring the delivery of housing projects, improving people's livelihood and ensuring social stability" to promote a sound circle between the financial and real estate sectors by ensuring the expected delivery of nearly 40,000 properties and driving more than RMB100 billion of projects to resume construction. We issued the first urban village renovation ABS in the market, and helped shape a new model of real estate development.

Keep in mind the big picture with more precise efforts for a new chapter in serving the real economy

We always devote our own development to the national development. To do so, we increased the provision of quality financial services for major strategies, key fields and weak areas, increasing efforts to secure the national food and energy and continued to serve technological innovation, advanced manufacturing, green development and inclusive financial services for small and micro enterprises.

We have stepped up financial support for new quality productivity by jointly setting up the fund for "SRDI" enterprises with the Ministry of Industry and Information Technology of the PRC. We invested nearly RMB15 billion in the new energy sector and established the RMB5 billion new energy industry fund joint with the State Grid to serve energy security and the dual carbon strategy. We conducted in-depth cooperation with the leading agricultural enterprises to approach the differentiated financial needs in the field of agriculture, rural areas and farmers and helped build China into an agricultural power by offering quality financial services.

We supported the deepening and upgrading of the reform of state-owned enterprises by participating in the merger and reorganization of central and local state-owned enterprises and contributing to the supply-side structural reform. We were listed as one of the institutions supporting the expansion of effective investment and revitalization of stock assets by the National Development and Reform Commission. Pursuing the philosophy of "finance for the people", we are committed to improving the inclusion of financial services, and NCB China has yielded an increase in both the loan balance and the number of small and micro enterprises customers.

Staying committed to the "customer-centric" business philosophy, we coordinated the Group wide resources and strengthened the collaborative support to improve the response efficiency and service quality of the frontline to serve the customers. The Company actively sought "bring in and go out" by launching the comprehensive marketing event of "Ten Provinces and Twenty Cities" in more than 20 locations to offer Cinda solutions and signed nearly 100 strategic agreements. 2023 witnessed the A-share listing of Cinda Securities, which marked that the Group would be more open and embrace a win-win and efficient ecosystem.

Consolidate foundation in culture construction for a new milestone of lifting the management efficiency

We continued to enhance the source control of risk and improve the construction of the risk management information system with the organic integration of "manual and auto control", to achieve earlier identification, warning, detection and handling of potential risks, transforming the capacity for risk prevention and control into edges in business development. We refreshed our efforts to consolidate the "three lines of defense" of business operation, risk compliance and internal audit and strengthen the protection of consumer rights and interests for repaying the trust of all sectors of society with a professional, standardized and responsible image.

Our efforts in a "Digital Cinda" have been on the way. The new business system has been optimized in the business scenario coverage, process flow, functional integrity, and operational experience, and the effect of the empowerment to business, risk control, employees, and customers was taking shape. The transformation of digital production mode would reshape the way the Company operates, allowing business to go to the "cloud" for long and stable development.

Aiming to forge a loyal, clean and responsible team of qualified cadres and talents, focusing on practical action and performance, we have been setting up flexible organizations and expert teams to cultivate and tap into talents in major projects and key tasks. We sped up the construction of a core business training system and constantly offered real combat training camps to enhance the business development, market demand and the competence. We continued to improve the professional capacity of employees by reasonably mapping out the path for young employees to grow into talent.

Culture construction continued to empower the Company, who acted as a strong champion of the Core Socialist Values. We inherited Cinda's culture, featuring "simple and fresh, sunshine and inclusive, and sword spirit" so that the business philosophy marked by compliance and robustness has been further popularized. Seeking cultural confidence and adhering to cultural genes, we have transformed the "soft power" of corporate culture into the "hard power" for development.

Serve the society and promote the common development, join hands for a new journey of the Company

We intensified in fulfilling the responsibilities and commitments as a national financial enterprise, following the ESG concept for the future and focusing on green finance for contributions to rural rejuvenation. China Cinda was rated "good" in the annual designated assistance evaluation of the central units. The Company has been honored with a large number of awards such as "Industry Leader", "Outstanding Listed Company" and "China Business Top 100 Award", and has been listed in the "Blue Book of Responsible Finance" for two consecutive years.

2023 marked the 10th anniversary of the listing of Cinda. Amid the decade-long tough journey marked by ups and downs, we have been committing ourselves to the concept of prudent operation by improving the standard of corporate governance and management based on the advanced experience among and beyond the industry. We have been safeguarding the long-term interests of the equity holder with the high-quality and sustainable development, as RMB44.3 billion of dividends paid to ordinary and preference shareholders since listed.

Since 2023, Mr. He Jieping, Ms. Zhang Yuxiang and others no longer served as Directors, and Ms. Shi Cuijun joined the Board. The new Board will continue to play their part diligently for the Company's high-quality development!

2024 celebrates the 75th anniversary of the founding of the People's Republic of China and the crucial year for achieving the objectives and tasks of the 14th Five-Year Plan and is the 25th anniversary of the establishment of the Company. Guided by the Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era, we will pursue progress while ensuring stability and seek further development. We will work to address the uncertainties of the changing landscape with the certainty of our own work. We will work hard to focus on five target areas on technology finance, green finance, inclusive finance, pension finance, and digital finance, so as to create greater value for our customers and shareholders with high-quality development, stick to our mission of preventing and defusing financial risks and serving the real economy, and contribute to faster building of China into a strong financial country.

張卫东

Chairman: **ZHANG Weidong**
March 26, 2024

4 PRESIDENT'S STATEMENT

In 2023, China Cinda actively fulfilled its responsibilities and missions as a state-owned AMC. Confronting the complex and complicated external environment, the Company, bearing in mind its position of preventing and defusing risks and serving the real economy, took advantage of the development opportunities and favorable conditions to make solid progress aiming at the goal of high-quality transformation and development.

The comprehensive operating results remained sound

In 2023, the management of the Company played its part in accordance with the authorization and in compliance with the laws and regulations. The Company's asset scale was stable and the new acquisition was sound, with cash returns increasing significantly and the financing structure being optimized. As of the end of 2023, the Group's total assets amounted to RMB1.6 trillion, with the distressed asset management business being on the constant rise, which has taken further the operating edge focusing on the main business and specializing in the profession. On the basis of accelerated mitigation of risky assets and boosted improvement of consolidating asset quality, the Company achieved profit attributable to equity holders of the Company of RMB5.82 billion and return on average shareholders' equity of 2.70%, and total comprehensive income attributable to equity holders of the Company of RMB7.07 billion, an increase of 125.1% over the year, with the capital adequacy ratios at all tiers maintaining at a reasonably safe level.

Hold on to the main business and further mitigate risks

The Company stayed focused on preventing and defusing risks in key areas by shouldering the significant mission of a "fire brigade" for financial risk mitigation along the new journey through a Chinese path to modernization.

In 2023, the Company held on to the main business of financial distressed assets. Specifically, we acquired the scale of over RMB180 billion from nearly 300 batches of distressed assets from banks during the year, sustaining our leadership in the open market. The recovered cash from disposals topped RMB63 billion, an increase of 23% year on year. Leveraging our professional capabilities, we helped small and medium-sized financial institutions to mitigate risks and reform. We acquired the scale of distressed assets totaling approximately RMB89 billion from 79 small and medium-sized banks in the year, ensuring smooth and orderly reform and restructuring of high-risk financial institutions to mitigate risks. We have helped shape a new model of real estate development and participated in the "ensuring the delivery of housing projects". Furthermore, we have driven over RMB130 billion of projects to resume construction, which has guaranteed the delivery of nearly 40,000 properties. We have helped real economy enterprises by means of restructuring and capital market bailout, acting as the plan maker, value discoverer, risk mitigator, fund provider and resource integrator for distressed enterprises.

Optimize footprints for better quality and efficiency in serving enterprises

The Company tapped into the edges of counter-cyclical functions of the AMC to improve financial services for major strategies, key areas and weak links.

In 2023, the Company actively served leading enterprises in the strategic industries of energy security, food security and the dual carbon strategy. The Company invested nearly RMB15 billion in the energy, infrastructure industries in the year and enlarged the finance to new energy enterprises to reduce their leverage, and launched the comprehensive financial service plan for new energy auto industrial chain, making contributions to stabilizing, consolidating and enhancing the chain. The Company took multi-pronged measures to further help the reform of state-owned enterprises and invested RMB21.1 billion additionally in relevant fields. The Company listed as one of the institutions supporting the expansion of effective investment in revitalizing stock assets by the National Development and Reform Commission. We actively supported the development of new quality productivity, and served 168 hi-tech companies with a total investment of more than RMB28 billion in the year, supporting competitive enterprises in biomedicine, medical devices, semiconductors, aviation and aerospace to replenish capital and reduce leverage. We further developed inclusive finance and pension finance to improve the quality and effectiveness of financial services to the real economy.

Major breakthrough for better internal control efficiency

The Company stressed coordinating its own development and safety and prioritized better competence of its employees. The Company has also made progress in its digital transformation, consolidating the foundation for sound development.

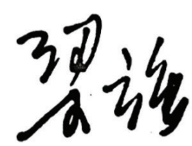
In 2023, the Company strengthened internal control to make a major breakthrough in the mitigation of stock risks. The Company continued to enhance the preventing and controlling of the risk source, conducted in-depth risk reviews and reflection and embedded the issues spotted in the new core business system, and transformed the findings into practical benefits. The Company focused on enhancing employees' competence. Specifically, the Company, aiming at its business strategy and reform and transformation, lifted the quality and efficiency of talent training to a higher level by staging immersive real case training, integrating roles in different scenarios or reflecting on the project operation process, and multiple practical training camps throughout the year where young staffs participated in and internal and external experts provided guidance. We strengthened scientific and technological empowerment to push forward with the "Digital Cinda" construction, and put on course the Group's information governance.

Leverage edges to improve capacity for serving customers

The Company acted as a strong champion of the service concept of "customer first and win-win", deepened the client-centric strategy to enhance customer development, and promoted the construction of the strategic customer base and ecosystem.

In 2023, the Company focused on customer expansion by launching the comprehensive marketing event brand of "Ten Provinces and Twenty Cities", in which, we paid over 11,000 visits to customers, with a 2.5 times increase year on year. In the year, we signed 92 strategic cooperation agreements and forged cooperation with 17 provincial and municipal local governments, over 400 financial institution headquarters, and over 6,600 enterprises. We set up a "1+14+N" financial expert service panel to stage presentations and symposia in 14 cities, attended by over 1,140 high-quality corporate customers and over 2,300 corporate executives. We continued to enhance the brand image. Specifically, we worked on the asset promotion brand "Sailing Forward through Waves" for resource integration and information sharing. We set up the "Voice of Cinda Research" to voice on the hot economic and financial issues. We created the "China Securities Cinda Central Enterprise Quality 50 Index" to highlight the soft strength of corporate culture.

Together for mission and set out a new journey! 2024 celebrates the 75th anniversary of the founding of the People's Republic of China and the crucial year for achieving the objectives and tasks of the "14th Five-Year" Plan and is the 25th anniversary of the establishment of the Company. Guided by the Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era, China Cinda, as a strong champion of the guiding principles of the 20th CPC National Congress and the second plenary session of the 20th CPC Central Committee and the Central Financial Work Conference and the Central Economic Work Conference, will serve as ballast stone to safeguard financial stability, and pursue progress while ensuring stability as the main force of serving the real economy to help build China into a financial power with our gains from high-quality development.



President: **LIANG Qiang**
March 26, 2024

5 MANAGEMENT DISCUSSION AND ANALYSIS

5.1 Economic and Regulatory Environment

In 2023, the world economy suffered feeble growth amid slow recovery, as well as worsened uneven development among regions. The geopolitical tensions was escalated, the soaring global inflation was reaching moderate, the international trade remained sluggish, and the commodity prices experienced a slight decline. Meanwhile, global financial fragility was at a high level due to factors including turmoil in the banking sector caused by the FED's and the European Central Bank's interest rate hikes, increasing debt levels among developed economies, and challenges of spillover effects from the U.S. and European monetary policies facing developing countries.

China's economy comprehensively rebounded during 2023. In a further sign of economic upswing, GDP increased by 5.2% year on year, industrial and agricultural production rose steadily, market demand gradually recovered, and prices and employment maintained overall stable. Besides, China effectively guaranteed societies and livelihoods, made new breakthroughs in scientific and technological innovation, promoted opening-up, and consolidated safe development foundations.

The Chinese government stuck to following the general principle of making progress while maintaining stability, and fully and faithfully applying the new development philosophy on all fronts. By continuing to deepen supply-side structural reform, expanding effective social demands, and harnessing the strengths of both the unified national market and complete-industrial-chain production, the Chinese government effectively balanced both domestic and international situations to advance Chinese modernization. In addition, the Chinese government adopted more proactive and effective fiscal policies, introduced tax and fee cuts, increased transfer payments, supported major projects, strengthened safeguards for people's living, and proposed and implemented a package of debt relief measures. The prudent monetary policies were precise and effective. Two reserve ratio reductions and two interest rate cuts within the year guaranteed a reasonable credit supply, guided the decrease in market interest rates, lowered financing costs for the real economy, and helped cross-cyclical and counter-cyclical adjustments. In addition to optimizing credit structure and strengthening support for key areas such as scientific and technological innovation, advanced manufacturing, and green development, the Chinese government also intensified macroprudential management, improved the systems that safeguard financial stability, properly addressed key regional and institutional risks, and responded to the new situation of significant changes in supply and demand in the real estate market. All these efforts firmly ensured no systemic risks would arise under the timely policy optimizations and adjustments.

It was pointed out at the central financial work conference that China would remain committed to the path of financial development with Chinese characteristics for fully building China into a strong financial sector, and should uphold risk prevention and control as the eternal theme of financial work. It was emphasized at the conference that the financial sector must provide high-quality services for economic and social development, and activate financial resources that are inefficiently utilized to improve the efficiency of fund utilization. It was required at the conference that China should comprehensively strengthen financial regulation and effectively forestall and defuse financial risks, and risks in small and medium-sized financial institutions should be addressed without delay. According to the conference, it was imperative to put in place a long-term mechanism on handling local government debt risks to promote a virtuous cycle between finance and real estate and build a new development model for the real estate sector. Regulatory departments should reinforce financial regulation and guard against and address financial risks in accordance with the principles of "maintaining overall stability, ensuring coordination, implementing category-based policies, and defusing risks through targeted efforts". Therefore, first, China published new rules to improve the capital management of banks, including the formulation and implementation the Rules on Risk Classification of Financial Assets of Commercial Banks, which helped banks assure the quality of their assets, broadened the channels for disposal of distressed assets, and beefed up efforts to dispose of distressed assets; Second, China coordinated efforts to defuse risks in key areas, launched a relending facility for easing the difficulties of real estate enterprises, extended the period of relevant policies on supporting the sound development of the real estate market and preferential tax policies on the disposal of assets for offsetting debts, and guided and supported AMCs to defuse financial risks in key areas. Furthermore, AMCs were required to accurately define their responsibilities in the new situation, strengthen their unique functional advantages, and serve as the main force to serve the real economy and the ballast to maintain financial stability.

5.2 Analysis of Financial Statements

5.2.1 Operating Results of the Group

In 2023, the net profit attributable to equity holders of the Company amounted to RMB5,820.9 million, stable year on year. The ROE and ROA were 2.70% and 0.44%, respectively.

	For the year ended December 31,			
	2023	2022	Change	Change in percentage
	(in millions of RMB)			*(%)*
Income from distressed debt assets at amortized cost	**6,084.2**	10,070.7	(3,986.5)	(39.6)
Fair value changes on distressed debt assets	**7,618.4**	11,284.3	(3,665.9)	(32.5)
Fair value changes on other financial instruments	**11,214.2**	5,410.4	5,803.8	107.3
Investment income	**289.2**	216.8	72.4	33.4
Interest income	**33,061.5**	27,394.9	5,666.6	20.7
Revenue from sales of inventories	**9,502.4**	16,068.3	(6,565.9)	(40.9)
Commission and fee income	**4,903.4**	5,110.2	(206.8)	(4.0)
Net gains on disposal of subsidiaries, associates and joint ventures	**538.6**	1,058.8	(520.2)	(49.1)
Other income and other net gains or losses	**2,955.9**	4,374.1	(1,418.2)	(32.4)
Total income	**76,167.8**	80,988.4	(4,820.6)	(6.0)
Interest expense	**(44,080.5)**	(40,081.1)	(3,999.4)	10.0
Commission and fee expense	**(804.6)**	(624.6)	(180.0)	28.8
Purchases and changes in inventories	**(7,716.7)**	(12,859.5)	5,142.8	(40.0)
Employee benefits	**(5,709.9)**	(6,122.3)	412.4	(6.7)
Credit impairment losses	**(8,475.5)**	(11,380.3)	2,904.8	(25.5)
Impairment losses on other assets	**(1,274.0)**	(1,877.7)	603.7	(32.2)
Other expenses	**(6,335.6)**	(6,521.2)	185.6	(2.8)
Total costs and expenses	**(74,396.8)**	(79,466.6)	5,069.8	(6.4)
Change in net assets attributable to other holders of consolidated structured entities	**(18.3)**	(47.5)	29.2	(61.5)
Share of results of associates and joint ventures	**6,433.5**	8,983.3	(2,549.8)	(28.4)
Profit before tax	**8,186.3**	10,457.6	(2,271.3)	(21.7)
Income tax expense	**(1,192.8)**	(3,226.3)	2,033.5	(63.0)
Profit for the year	**6,993.5**	7,231.3	(237.8)	(3.3)
Profit attributable to:				
– Equity holders of the Company	**5,820.9**	6,313.4	(492.5)	(7.8)
– Non-controlling interests	**1,172.6**	917.9	254.7	27.7

5.2.1.1 Total Income

In 2023, the total income of the Group decreased by 6.0% from RMB80,988.4 million in 2022 to RMB76,167.8 million in 2023.

Income from Distressed Debt Assets at Amortized Cost

The income from distressed debt assets at amortized cost of the Group, including the interest income and gains or losses from disposal of restructured distressed debt assets, decreased by 39.6% from RMB10,070.7 million in 2022 to RMB6,084.2 million in 2023, which accounted for 12.4% and 8.0% of the total income in the corresponding years, respectively, mainly due to the decrease in the balance of restructured distressed debt assets as the Company actively adjusted its asset structure.

Fair Value Changes on Distressed Debt Assets

The fair value changes on distressed debt assets of the Group decreased by 32.5% from RMB11,284.3 million in 2022 to RMB7,618.4 million in 2023. The fair value changes on distressed debt assets at fair value through profit or loss decreased by 5.2% from RMB9,911.0 million in 2022 to RMB9,390.8 million in 2023, accounting for 12.2% and 12.3% of the total income in the corresponding years, respectively.

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

	For the year ended December 31,			
				Change in
	2023	2022	Change	percentage
	(in millions of RMB)			*(%)*
Realized fair value changes	**7,636.5**	8,227.2	(590.7)	(7.2)
Unrealized fair value changes	**1,754.3**	1,683.8	70.5	4.2
Sub-total	**9,390.8**	9,911.0	(520.2)	(5.2)

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

	For the year ended December 31, *(in millions of RMB)*
As at December 31, 2021	**203,739.5**
Acquisition in the year	67,253.6
Disposal in the year	(39,239.7)
Unrealized fair value changes	1,683.8
As at December 31, 2022	**233,437.2**
Acquisition in the year	52,646.2
Disposal in the year	(45,855.6)
Unrealized fair value changes	1,754.3
As at December 31, 2023	**241,982.1**

In 2023, the fair value changes on distressed debt assets at fair value through profit or loss of the Group decreased by 5.2% over 2022. In particular, the realized fair value changes decreased by 7.2% from RMB8,227.2 million in 2022 to RMB7,636.5 million in 2023; the unrealized fair value changes increased by 4.2% from RMB1,683.8 million in 2022 to RMB1,754.3 million in 2023.

In 2023, the Company focused on the distressed asset market, seized market opportunities, continued to consolidate the advantages of its main business, and maintained its efforts in acquisition-operation distressed debt assets. In 2022 and 2023, the distressed debt assets at fair value through profit or loss of the Group recorded acquisition of RMB67,253.6 million and RMB52,646.2 million, respectively and recorded disposal of RMB39,239.7 million and RMB45,855.6 million, respectively.

Fair Value Changes on Other Financial Instruments

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

The fair value changes on other financial instruments of the Group increased by 107.3% from RMB5,410.4 million in 2022 to RMB11,214.2 million in 2023, accounting for 6.7% and 14.7% of the total income in the corresponding years, respectively. Among which, the fair value changes on DES Assets were RMB1,118.9 million and RMB2,930.3 million, respectively, accounting for 1.4% and 3.8% of the total income in the corresponding years, respectively.

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

	For the year ended December 31,			
	2023	2022	Change	Change in percentage
	(in millions of RMB)			*(%)*
Fair value changes[1]	**1,359.9**	(4,038.6)	5,398.5	133.7
DES Assets of the Company	**1,054.6**	(75.5)	1,130.1	1,496.8
Others	**305.3**	(3,963.1)	4,268.4	107.7
Interest income	**5,667.8**	3,258.7	2,409.1	73.9
DES Assets of the Company	**71.3**	37.6	33.7	89.6
Others	**5,596.5**	3,221.1	2,375.4	73.7
Dividend income	**4,186.5**	6,190.3	(2,003.8)	(32.4)
DES Assets of the Company	**1,804.4**	1,156.8	647.6	56.0
Others	**2,382.1**	5,033.5	(2,651.4)	(52.7)
Total	**11,214.2**	5,410.4	5,803.8	107.3

Note:

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

The fair value changes on DES Assets at fair value through profit or loss changed 1,496.8% from the losses of RMB75.5 million in 2022 to the gains of RMB1,054.6 million in 2023, mainly due to the increase in the valuation of certain DES Assets of the Company as influenced by the capital market fluctuation.

The fair value changes on other financial instruments except for DES Assets at fair value through profit or loss changed by 107.7% from the losses of RMB3,963.1 million in 2022 to the gains of RMB305.3 million in 2023, mainly due to the decrease in the unrealized losses on investments in equity assets of subsidiaries.

Interest Income

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

	For the year ended December 31,			
	2023	2022	Change	Change in percentage
	(in millions of RMB)			*(%)*
Loans and advances to customers	**20,641.3**	18,137.0	2,504.3	13.8
Financial assets at fair value through other comprehensive income	**4,858.4**	2,727.0	2,131.4	78.2
Other debt investments at amortized cost	**3,633.4**	3,394.9	238.5	7.0
Deposits with banks and financial institutions	**2,003.3**	1,962.9	40.4	2.1
Placements with banks and financial institutions	**855.9**	476.6	379.3	79.6
Financial assets held under resale agreements	**359.0**	572.1	(213.1)	(37.2)
Others	**710.2**	124.5	585.7	470.4
Total	**33,061.5**	27,394.9	5,666.6	20.7

The Group's interest income increased by 20.7% year on year in 2023, mainly due to the increase in the interest income from loans and advances to customers and financial assets at fair value through other comprehensive income.

(1) The interest income from loans and advances to customers increased by 13.8% from RMB18,137.0 million in 2022 to RMB20,641.3 million in 2023, mainly due to the rise in the interest rate of foreign currency loans and advances of the subsidiaries.

(2) The interest income from financial assets at fair value through other comprehensive income increased by 78.2% from RMB2,727.0 million in 2022 to RMB4,858.4 million in 2023, mainly due to the increase in the scale of the bond investment held by the subsidiaries.

Commission and Fee Income

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

	For the year ended December 31,			
	2023	2022	Change	Change in percentage
	(in millions of RMB)			*(%)*
Fund and asset management business	**1,516.8**	1,622.8	(106.0)	(6.5)
Securities and futures brokerage	**1,103.9**	1,228.7	(124.8)	(10.2)
Banking business	**633.6**	653.8	(20.2)	(3.1)
Trustee services	**538.4**	498.4	40.0	8.0
Consultancy and financial advisory services	**386.6**	228.8	157.8	69.0
Insurance brokerage	**328.8**	146.7	182.1	124.1
Agency business	**237.8**	505.6	(267.8)	(53.0)
Securities underwriting	**50.0**	75.2	(25.2)	(33.5)
Others	**107.5**	150.2	(42.7)	(28.4)
Total	**4,903.4**	5,110.2	(206.8)	(4.0)

The commission and fee income of the Group decreased by 4.0% from RMB5,110.2 million in 2022 to RMB4,903.4 million in 2023, mainly due to the decrease in the commission and fee income from agency business and securities and futures brokerage, partially offset by the increase in the commission and fee income from insurance brokerage.

(1) Commission and fee income from agency business decreased by 53.0% from RMB505.6 million in 2022 to RMB237.8 million in 2023, mainly due to the decline in trading volume in the agency business of Cinda Securities.

(2) Commission and fee income from securities and futures brokerage decreased by 10.2% from RMB1,228.7 million in 2022 to RMB1,103.9 million in 2023, mainly due to the decline in market turnover and the trading volume of Cinda Securities' securities brokerage business, resulting in a corresponding decrease in fee and commission income.

(3) Commission and fee income from insurance brokerage increased by 124.1% from RMB146.7 million in 2022 to RMB328.8 million in 2023, mainly due to the growth in commission and fee income driven by growth in business scale as NCB expanded its insurance brokerage business in 2023.

Revenue from Sales of Inventories and Purchases and Changes in Inventories

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

	For the year ended December 31,			
	2023	2022	Change	Change in percentage
	(in millions of RMB)			*(%)*
Revenue from sales of inventories	**9,502.4**	16,068.3	(6,565.9)	(40.9)
Purchases and changes in inventories	**(7,716.7)**	(12,859.5)	5,142.8	(40.0)
Including:				
Revenue from sales of properties held for sale	**9,502.4**	16,068.3	(6,565.9)	(40.9)
Purchases and changes in properties held for sale	**(7,716.7)**	(12,859.5)	5,142.8	(40.0)
Gross profit from sales of properties held for sale	**1,785.7**	3,208.8	(1,423.1)	(44.3)
Gross profit margin from sales of properties held for sale (%)	**18.8**	20.0	(1.2)	(5.9)

The revenue from sales of inventories of the Group decreased by 40.9% from RMB16,068.3 million in 2022 to RMB9,502.4 million in 2023, and the purchases and changes in inventories decreased by 40.0% from RMB12,859.5 million in 2022 to RMB7,716.7 million in 2023, mainly due to the decrease in the project delivery scale of Cinda Real Estate in 2023 compared with last year, resulting in decline of realized revenue from sales of properties held for sale and purchases and changes in properties held for sale. The gross profit margin from sales of properties held for sale decreased from 20.0% in 2022 to 18.8% in 2023.

Net Gains on Disposal of Subsidiaries, Associates and Joint Ventures

The net gains on disposal of subsidiaries, associates and joint ventures by the Group decreased by 49.1% from RMB1,058.8 million in 2022 to RMB538.6 million in 2023, among which, the Group's net gain on disposal of subsidiaries amounted to RMB282.1 million in 2022, and the Group did not dispose of any subsidiaries in 2023.

Other Income and Other Net Gains or Losses

Other income and other net gains or losses of the Group decreased by 32.4% from RMB4,374.1 million in 2022 to RMB2,955.9 million in 2023, mainly due to a decrease of 81.5% in net gains on exchange differences from RMB1,998.4 million in 2022 to RMB369.5 million in 2023 as a result of the exchange rate fluctuations of the USD and HKD.

5.2.1.2 Total Costs and Expenses

In 2023, the Group's total costs and expenses decreased by 6.4% from RMB79,466.6 million in 2022 to RMB74,396.8 million in 2023, mainly due to the decrease in the purchases and changes in inventories and credit impairment losses, partially offset by the rising interest expenses.

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

	For the year ended December 31,			
	2023	2022	Change	Change in percentage
	(in millions of RMB)			*(%)*
Interest expense	**(44,080.5)**	(40,081.1)	(3,999.4)	10.0
Credit impairment losses	**(8,475.5)**	(11,380.3)	2,904.8	(25.5)
Purchases and changes in inventories	**(7,716.7)**	(12,859.5)	5,142.8	(40.0)
Employee benefits	**(5,709.9)**	(6,122.3)	412.4	(6.7)
Depreciation and amortization expenses	**(2,040.5)**	(2,078.1)	37.6	(1.8)
Impairment losses on other assets	**(1,274.0)**	(1,877.7)	603.7	(32.2)
Commission and fee expense	**(804.6)**	(624.6)	(180.0)	28.8
Taxes and surcharges	**(481.7)**	(571.1)	89.4	(15.7)
Other expenses	**(3,813.4)**	(3,872.0)	58.6	(1.5)
Total	**(74,396.8)**	(79,466.6)	5,069.8	(6.4)

Interest Expense

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

	For the year ended December 31,			
	2023	2022	Change	Change in percentage
	(in millions of RMB)			*(%)*
Borrowings	**(20,572.1)**	(22,504.7)	1,932.6	(8.6)
Bonds issued	**(11,891.9)**	(11,851.7)	(40.2)	0.3
Due to customers	**(9,032.6)**	(4,377.2)	(4,655.4)	106.4
Financial assets sold under repurchase agreements	**(1,328.9)**	(605.8)	(723.1)	119.4
Placements from banks and financial institutions	**(532.7)**	(323.1)	(209.6)	64.9
Deposits from banks and financial institutions	**(490.7)**	(219.9)	(270.8)	123.1
Accounts payable to brokerage clients	**(129.5)**	(102.0)	(27.5)	27.0
Lease liabilities	**(68.5)**	(55.9)	(12.6)	22.5
Others	**(33.5)**	(40.8)	7.3	(17.9)
Total	**(44,080.5)**	(40,081.1)	(3,999.4)	10.0

In 2023, the interest expense of the Group was RMB44,080.5 million, representing an increase of 10.0% from RMB40,081.1 million in 2022. Of which,

(1) Interest expense on borrowings decreased by 8.6% from RMB22,504.7 million in 2022 to RMB20,572.1 million in 2023, mainly due to the decline in borrowing scale and domestic market financing costs.

(2) Interest expense on due to customers increased by 106.4% from RMB4,377.2 million in 2022 to RMB9,032.6 million in 2023, mainly due to the increase in NCB's interest expense on foreign currency deposits as a result of USD interest rate hikes.

Credit Impairment Losses

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

	For the year ended December 31,			
	2023	2022	Change	Change in percentage
	(in millions of RMB)			*(%)*
Financial assets at amortized cost				
– Distressed debt assets	**(1,766.1)**	(6,498.3)	4,732.2	(72.8)
– Other debt investments	**(2,916.7)**	(1,493.4)	(1,423.3)	95.3
Loans and advances to customers	**(3,800.2)**	(3,270.1)	(530.1)	16.2
Accounts receivable	**104.2**	(171.7)	275.9	(160.7)
Other receivables	**(221.8)**	163.0	(384.8)	236.1
Interest receivable	**(163.6)**	(190.7)	27.1	(14.2)
Financial assets at fair value through other comprehensive income	**35.0**	(123.9)	158.9	(128.2)
Financial assets held under resale agreements	**(19.5)**	47.0	(66.5)	141.5
Other assets	**273.4**	157.9	115.5	(73.1)
Total	**(8,475.5)**	(11,380.3)	2,904.8	(25.5)

The credit impairment losses of the Group decreased by 25.5% from RMB11,380.3 million in 2022 to RMB8,475.5 million in 2023, of which,

(1) The impairment losses on distressed debt assets at amortized cost decreased by 72.8% from RMB6,498.3 million in 2022 to RMB1,766.1 million in 2023, mainly due to the decrease in the scale of distressed debt assets at amortized cost of the Company.

(2) The impairment losses on other debt investments increased by 95.3% from RMB1,493.4 million in 2022 to RMB2,916.7 million in 2023, mainly due to the increase in the provision for other debt investment as influenced by the changes in macroeconomic landscapes and market environment.

5.2.1.3 Income Tax Expense

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

	For the year ended December 31,			
	2023	2022	Change	Change in percentage
	(in millions of RMB)			*(%)*
Profit before tax	**8,186.3**	10,457.6	(2,271.3)	(21.7)
Income tax expense	**(1,192.8)**	(3,226.3)	2,033.5	(63.0)
Effective tax rates (%)	**14.6**	30.9	(16.3)	(52.8)

The income tax expense of the Group decreased by 63.0% from RMB3,226.3 million in 2022 to RMB1,192.8 million in 2023. In 2022 and 2023, the effective tax rates of the Group were 30.9% and 14.6% respectively. The decrease in the effective tax rates was primarily driven by a combination of a decrease in current taxable income and land appreciation tax.

5.2.1.4 Segment Results of Operations

The Group has two business segments:

(1) Distressed asset management business, which mainly includes (i) management and disposal of distressed assets such as debt assets acquired from financial and non-financial institutions; (ii) investment, management and disposal of DES Assets; (iii) conducting distressed asset management business in a comprehensive way, such as restructuring of distressed entities and distressed assets, special opportunities investment; and (iv) entrusted operation business.

(2) Financial services business, which mainly includes banking, securities, futures, mutual funds, trusts and leasing.

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

	For the year ended December 31,							
	2023	2022	**2023**	2022	**2023**	2022	**2023**	2022
	Distressed asset management		**Financial services**		**Elimination**		**Consolidation**	
	(in millions of RMB)							
Total income	**44,402.2**	57,089.4	**32,390.7**	24,366.5	**(625.1)**	(467.5)	**76,167.8**	80,988.4
Percentage of total (%)	**58.3**	70.5	**42.5**	30.1				
Total costs and expenses	**(48,036.4)**	(61,548.1)	**(27,049.6)**	(18,457.1)	**689.2**	538.6	**(74,396.8)**	(79,466.6)
Profit before tax	**2,781.4**	4,472.4	**5,340.7**	5,914.0	**64.1**	71.2	**8,186.3**	10,457.6
Percentage of total (%)	**34.0**	42.8	**65.2**	56.6				
Profit margin before tax (%)	**6.3**	7.8	**16.5**	24.3			**10.7**	12.9
Return on average net assets before tax (%)	**2.9**	4.1	**4.8**	6.4			**3.9**	5.1

	As at December 31,							
	2023	2022	**2023**	2022	**2023**	2022	**2023**	2022
	Distressed asset management		**Financial services**		**Elimination and unallocated part[(1)]**		**Consolidation**	
	(in millions of RMB)							
Total assets	**913,550.3**	965,648.3	**695,994.2**	659,782.1	**(15,187.1)**	(9,441.4)	**1,594,357.4**	1,615,989.0
Percentage of total (%)	**57.3**	59.8	**43.7**	40.8				
Net assets	**95,368.9**	96,136.0	**115,854.7**	106,398.3	**5,932.5**	5,460.8	**217,156.2**	207,995.1
Percentage of total (%)	**43.9**	46.2	**53.4**	51.2				

Notes:

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

(2) In 2023, the classification criteria of the Group's business operating segments was adjusted from the nature of institutions to the nature of business operations, and the operation results and financial positions of the segments in 2022 were restated accordingly.

Distressed asset management business is the Group's core business and principal income contributor. The income generated from distressed asset management accounted for 70.5% and 58.3% of the total income, and 42.8% and 34.0% of the Group's profit before tax in 2022 and 2023, respectively, as well as 59.8% and 57.3% of the Group's total assets, and 46.2% and 43.9% of the Group's net assets as at December 31, 2022 and 2023, respectively. In 2022 and 2023, the profit margin before tax of this segment was 7.8% and 6.3%, respectively, and return on average net asset before tax was 4.1% and 2.9%, respectively.

As a key component of the business of the Group and an important cross-selling driver, the financial services business benefited from the Group's synergistic operations and management strategies. The financial services segment accounted for 30.1% and 42.5% of the total income, and accounting for 56.6% and 65.2% of profit before tax in 2022 and 2023, and accounted for 40.8% and 43.7% of the total assets, and 51.2% and 53.4% of the net assets as at December 31, 2022 and 2023.

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

5.2.2 Summary of Financial Position of the Group

At the end of 2023, the assets and liabilities of the Group both decreased slightly, and the equity increased slightly, compared with the end of last year. As at December 31, 2022 and 2023, the total assets of the Group amounted to RMB1,615,989.0 million and RMB1,594,357.4 million, respectively, representing a decrease of 1.3%; the total liabilities amounted to RMB1,407,993.9 million and RMB1,377,201.3 million, respectively, representing a decrease of 2.2%; and the total equity amounted to RMB207,995.1 million and RMB217,156.2 million, respectively, representing an increase of 4.4%.

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

	As at December 31,			
	2023		2022	
	Amount	**% of total**	Amount	% of total
		(in millions of RMB)		
Assets				
Cash and balances with central banks	**15,237.5**	**1.0**	16,677.4	1.0
Deposits with banks and financial institutions	**81,997.6**	**5.1**	97,830.1	6.1
Financial assets at fair value through profit or loss	**518,309.8**	**32.5**	503,495.9	31.2
Financial assets at fair value through other comprehensive income	**170,875.9**	**10.7**	130,487.7	8.1
Loans and advances to customers	**403,161.8**	**25.3**	396,530.0	24.5
Financial assets at amortized cost	**119,749.9**	**7.5**	169,994.3	10.5
Other assets	**285,024.9**	**17.9**	300,973.6	18.6
Total assets	**1,594,357.4**	**100.0**	1,615,989.0	100.0
Liabilities				
Borrowings from the central bank	**986.1**	**0.1**	986.1	0.1
Accounts payable to brokerage clients	**17,264.1**	**1.3**	19,107.2	1.4
Due to customers	**339,219.8**	**24.6**	323,040.5	22.9
Borrowings	**558,870.5**	**40.6**	615,357.9	43.7
Accounts payable	**4,783.0**	**0.3**	4,946.9	0.4
Bonds issued	**302,762.1**	**22.0**	292,882.8	20.8
Other liabilities	**153,315.7**	**11.1**	151,672.5	10.8
Total liabilities	**1,377,201.3**	**100.0**	1,407,993.9	100.0
Equity				
Equity attributable to equity holders of the Company	**192,829.0**	**88.8**	188,205.7	90.5
Non-controlling interests	**24,327.2**	**11.2**	19,789.4	9.5
Total equity	**217,156.2**	**100.0**	207,995.1	100.0
Total equity and liabilities	**1,594,357.4**		1,615,989.0	

5.2.2.1 Assets

Monetary Capital

Monetary capital primarily consists of cash, principal deposits, balances with central banks, clearing settlement funds and deposits with banks and financial institutions that Cinda Securities holds on behalf of its customers in the securities brokerage business. As at December 31, 2022 and 2023, monetary capital amounted to RMB114,507.5 million and RMB97,235.1 million, respectively, representing a decrease of 15.1%.

Financial Assets at Fair Value through Profit or Loss

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

	As at December 31,			
	2023	2022	Change	Change in percentage
	(in millions of RMB)			*(%)*
Financial assets classified as at fair value through profit or loss				
Listed investments				
Debt securities	**24,512.7**	22,670.0	1,842.7	8.1
Equity investments	**17,655.3**	16,777.5	877.8	5.2
Funds	**4,028.3**	3,098.5	929.8	30.0
Corporate convertible bonds	**813.7**	809.7	4.0	0.5
Asset-backed securities	**147.3**	217.8	(70.6)	(32.4)
Unlisted investments				
Distressed debt assets	**241,982.1**	233,437.2	8,544.9	3.7
Funds	**126,237.1**	116,332.9	9,904.2	8.5
Equity investments	**56,675.7**	53,448.6	3,227.1	6.0
Trust products and asset management plans	**17,305.0**	26,097.5	(8,792.5)	(33.7)
Securities investments	**12,891.4**	10,299.6	2,591.8	25.2
Debt instruments	**11,169.4**	16,264.3	(5,094.9)	(31.3)
Wealth management products	**2,700.6**	1,776.8	923.8	52.0
Derivative financial assets	**1,513.4**	1,887.9	(374.5)	(19.8)
Others	**677.8**	377.5	300.3	79.5
Total	**518,309.8**	503,495.9	14,813.9	2.9

As at December 31, 2022 and 2023, financial assets at fair value through profit or loss were RMB503,495.9 million and RMB518,309.8 million, respectively, mainly due to the increase in the acquisition of distressed debt assets and unlisted funds investments.

(1) As at December 31, 2022 and 2023, the distressed debt assets at fair value through profit or loss were RMB233,437.2 million and RMB241,982.1 million, respectively, increasing by 3.7%. In 2023, the Company continued to focus on the distressed asset market, consolidated the advantages of its main business, with an increase in acquisition-operation distressed debt asset balances compared to the end of the previous year.

(2) As at December 31, 2022 and 2023, unlisted funds investments at fair value through profit or loss were RMB116,332.9 million and RMB126,237.1 million, respectively, increasing by 8.5%, which was mainly derived from the growth in the investment scale of the Company and its subsidiaries such as Cinda Hong Kong.

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

	As at December 31,			
	2023	2022	Change	Change in percentage
	(in millions of RMB)			*(%)*
The Group				
Listed	**17,655.3**	16,777.5	877.8	5.2
Unlisted	**56,675.7**	53,448.6	3,227.1	6.0
Total	**74,331.0**	70,226.1	4,104.9	5.8
The Company				
Listed	**7,515.0**	8,596.1	(1,081.1)	(12.6)
Unlisted	**23,878.2**	23,302.4	575.8	2.5
Sub-total	**31,393.2**	31,898.5	(505.3)	(1.6)
Of which,				
DES assets	**29,752.9**	30,253.3	(500.4)	(1.7)
Others	**1,640.3**	1,645.2	(4.9)	(0.3)
Sub-total	**31,393.2**	31,898.5	(505.3)	(1.6)

Financial Assets at Fair Value through Other Comprehensive Income

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

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

	As at December 31,			
	2023	2022	Change	Change in percentage
	(in millions of RMB)			*(%)*
Debt securities	**163,132.5**	123,818.5	39,314.0	31.8
Equity instruments	**6,372.3**	5,553.4	818.9	14.7
Interest receivable	**1,371.0**	1,115.8	255.2	22.9
Total	**170,875.9**	130,487.7	40,388.2	31.0

As at December 31, 2022 and 2023, financial assets at fair value through other comprehensive income were RMB130,487.7 million and RMB170,875.9 million, respectively, increasing by 31.0%, mainly due to the increase in the balance of debt securities at fair value through other comprehensive income held by NCB.

Loans and Advances to Customers

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

	As at December 31,			
	2023	2022	Change	Change in percentage
	(in millions of RMB)			*(%)*
By business type				
Corporate and personal loans and advances	**329,339.8**	324,484.2	4,855.6	1.5
Loans to margin clients	**11,105.1**	9,545.6	1,559.5	16.3
Finance lease receivables	**77,055.9**	72,774.8	4,281.1	5.9
Total	**417,500.8**	406,804.6	10,696.2	2.6
By security type				
Mortgaged	**63,072.0**	86,295.7	(23,223.7)	(26.9)
Pledged	**119,886.5**	84,464.8	35,421.7	41.9
Guaranteed	**75,010.5**	74,084.5	926.0	1.2
Unsecured	**159,531.8**	161,959.6	(2,427.8)	(1.5)
Total	**417,500.8**	406,804.6	10,696.2	2.6
Allowances for impairment losses	**(14,339.1)**	(10,274.6)	(4,064.4)	39.6
Net balance	**403,161.8**	396,530.0	6,631.8	1.7

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

	As at December 31,			
	2023	2022	Change	Change in percentage
	(in millions of RMB)			*(%)*
Corporate loans and advances				
Loans and advances	**282,524.1**	274,217.1	8,307.0	3.0
Discounted bills	**619.7**	192.3	427.4	222.3
Sub-total	**283,143.8**	274,409.4	8,734.4	3.2
Personal loans and advances				
Mortgages	**24,685.6**	27,249.7	(2,564.1)	(9.4)
Personal consumption loans	**21,510.4**	22,825.1	(1,314.7)	(5.8)
Sub-total	**46,196.0**	50,074.8	(3,878.8)	(7.7)
Total	**329,339.8**	324,484.2	4,855.6	1.5

Financial Assets at Amortized Cost

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

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

	As at December 31,			
	2023	2022	Change	Change in percentage
	(in millions of RMB)			*(%)*
Distressed debt assets				
Acquired from financial institutions	**1,775.7**	4,516.8	(2,741.1)	(60.7)
Acquired from non-financial institutions	**63,916.8**	103,471.9	(39,555.1)	(38.2)
Sub-total	**65,692.5**	107,988.7	(42,296.2)	(39.2)
Interest accrued	**4,408.3**	5,053.1	(644.8)	(12.8)
Allowances for impairment losses	**(10,907.7)**	(13,230.4)	2,322.7	(17.6)
Net balance	**59,193.0**	99,811.4	(40,618.4)	(40.7)
Other debt investments	**63,310.5**	69,922.8	(6,612.3)	(9.5)
Interest accrued	**2,687.8**	3,247.2	(559.4)	(17.2)
Allowances for impairment losses	**(5,441.5)**	(2,987.1)	(2,454.4)	82.2
Net balance	**60,556.9**	70,182.9	(9,626.0)	(13.7)
Total	**119,749.9**	169,994.3	(50,244.4)	(29.6)

As at December 31, 2023, the total balances of distressed debt assets at amortized cost were RMB65,692.5 million, all of which were the Group's restructured distressed debt assets, decreasing by 39.2% from RMB107,988.7 million as at December 31, 2022, mainly due to the decrease in restructured distressed debt assets as the Company's proactively adjusted its asset structure.

As at December 31, 2023, the total balance of other debt investments at amortized cost were RMB63,310.5 million, decreasing by 9.5% from RMB69,922.8 million as at December 31, 2022, mainly due to the decline in the scale of debt and bond investments at amortized cost by subsidiaries such as Cinda Investment and NCB.

5.2.2.2 Liabilities

Liabilities of the Group mainly consist of borrowings, due to customers and bonds issued, accounting for 40.6%, 24.6% and 22.0% of the total liabilities of the Group as at December 31, 2023, respectively.

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

	As at December 31,			
	2023		2022	
	Amount	**% of total**	Amount	% of total
	(in millions of RMB)			
Borrowings	**558,870.5**	**43.1**	615,357.9	46.4
Due to customers	**339,219.8**	**26.2**	323,040.5	24.3
Bonds issued	**302,762.1**	**23.4**	292,882.8	22.1
Financial assets sold under repurchase agreements	**33,338.0**	**2.6**	43,425.6	3.3
Placements from banks and financial institutions	**29,474.6**	**2.3**	20,478.1	1.5
Accounts payable to brokerage clients	**17,264.1**	**1.3**	19,107.2	1.4
Deposits from banks and financial institutions	**14,994.6**	**1.2**	12,848.8	1.0
Total	**1,295,923.7**	**100.0**	1,327,140.9	100.0

Borrowings

As at December 31, 2023, the balance of borrowings of the Group amounted to RMB558,870.5 million, decreasing by 9.2% from RMB615,357.9 million as at December 31, 2022.

Bonds Issued

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

	As at December 31,	
	2023	2022
	(in millions of RMB)	
Financial bonds	**109,575.0**	120,294.6
USD guaranteed senior notes	**82,931.7**	89,970.4
Corporate bonds	**34,445.3**	24,481.7
Asset-backed securities	**34,870.6**	24,134.3
Mid-term notes	**12,978.2**	9,515.8
Certificates of deposit	**7,059.7**	9,341.3
Tier-2 capital bonds	**8,028.9**	8,025.1
Subordinated notes	**4,955.2**	4,873.0
Beneficiary certificates	**4,669.3**	730.9
Private placement notes	**1,746.1**	604.8
RMB guaranteed senior notes	**1,502.0**	–
Debt financing plans	**–**	902.0
HKD bonds	**–**	9.0
Total	**302,762.1**	292,882.8

As at December 31, 2022 and 2023, the balance of the Group's bonds issued amounted to RMB292,882.8 million and RMB302,762.1 million, respectively.

Due to Customers

As at December 31, 2022 and 2023, the balance of due to customers of the Group amounted to RMB323,040.5 million and RMB339,219.8 million, respectively, representing an increase of 5.0%, mainly due to the increase in time deposits, partially offset by the decrease in demand deposits of NCB.

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

	As at December 31,			
	2023	2022	Change	Change in percentage
	(in millions of RMB)			*(%)*
Demand deposits	**65,986.7**	101,913.4	(35,926.7)	(35.3)
Corporate	**31,308.7**	60,498.7	(29,190.0)	(48.2)
Personal	**34,678.0**	41,414.7	(6,736.7)	(16.3)
Time deposits	**259,929.8**	205,309.1	54,620.7	26.6
Corporate	**125,890.3**	101,259.8	24,630.5	24.3
Personal	**134,039.5**	104,049.3	29,990.2	28.8
Guarantee deposits	**9,500.5**	13,889.9	(4,389.4)	(31.6)
Interest payable	**3,802.9**	1,928.2	1,874.7	97.2
Total	**339,219.8**	323,040.5	16,179.3	5.0

5.2.3 Contingent Liabilities

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

As at December 31, 2022 and 2023, the claim amounts of pending litigation in which the Group was defendant were RMB2,178.0 million and RMB3,437.5 million, respectively, and provisions of RMB3.1 million and RMB6.0 million for the Group were made based on court judgments or the advice of legal counsel, respectively. The Company believes that the final result of these lawsuits will not have material impacts on the financial position or operating results of the Group and the Company.

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

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

5.3 Business Overview

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

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

	For the year ended December 31,			
	2023		2022	
	Total income	**% of total**	Total income	% of total
	(in millions of RMB)			
Distressed asset management	**44,402.2**	**58.3**	57,089.4	70.5
Financial services	**32,390.7**	**42.5**	24,366.5	30.1
Elimination	**(625.1)**	**(0.8)**	(467.5)	(0.7)
Total	**76,167.8**	**100.0**	80,988.4	100.0

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

	For the year ended December 31,			
	2023		2022	
	Profit before tax	**% of total**	Profit before tax	% of total
	(in millions of RMB)			
Distressed asset management	**2,781.4**	**34.0**	4,472.4	42.8
Financial services	**5,340.7**	**65.2**	5,914.0	56.6
Elimination	**64.1**	**0.8**	71.2	0.7
Total	**8,186.3**	**100.0**	10,457.6	100.0

5.3.1 Distressed Asset Management

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

Distressed asset management is the core business and the primary source of income and profit of the Group. In 2022 and 2023, the income from the distressed asset management business accounted for 70.5% and 58.3% of the total income of the Group, respectively, and the profit before tax from the distressed asset management business accounted for 42.8% and 34.0% of the profit before tax of the Group, respectively.

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

	As at and for the year ended December 31,	
	2023	2022
	(in millions of RMB)	
Distressed debt assets		
Net balance of distressed debt assets[(1)]	**307,879.9**	341,255.4
Acquisition cost of distressed debt assets	**53,483.1**	88,052.8
Income from distressed debt assets[(2)]	**16,018.4**	20,045.0
DES assets		
Book value of DES assets	**100,881.1**	97,004.3
Gains on fair value changes[(3)]	**2,930.3**	1,118.9
Gains realized with other approaches[(4)]	**5,824.6**	8,653.3
Other distressed assets		
Book value of other distressed assets[(5)]	**190,630.9**	186,702.8
New investment in other distressed assets	**57,641.3**	52,308.2
Income from other distressed assets[(6)]	**3,627.5**	6,450.4

Notes:

(1) Mainly include the Company's distressed debt assets at fair value through profit or loss and distressed debt assets at amortized cost.

(2) Mainly include the Company's fair value changes on acquisition-operation distressed debt assets and income from distressed debt assets at amortized cost.

(3) Income of the DES Assets at fair value through profit or loss attributed to distressed assets segment, including the net gains on disposal, dividend income, interest income and unrealized fair value changes of DES Assets.

(4) The net gains or losses from DES Assets at interests in consolidated structured entities and associates and joint ventures attributed to distressed asset segment; dividend income from DES Assets at fair value through other comprehensive income.

(5) Primarily includes book value of assets such as non-standard debt investments and equity investments, investments in asset management products, investments in securitized asset products and debenture investments related to the distressed asset business.

(6) Gains on other distressed asset business, including profit or loss on fair value changes.

5.3.1.1 Source of Acquisition of Distressed Debt Assets

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

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

	As at and for the year ended December 31,			
	2023		2022	
	Amount	**% of total**	Amount	% of total
	(in millions of RMB)			
Net balance of distressed debt assets[(1)]				
FI Distressed Assets	**213,670.5**	**69.4**	204,966.7	60.1
NFI Distressed Assets	**94,209.4**	**30.6**	136,288.7	39.9
Total	**307,879.9**	**100.0**	341,255.4	100.0
Acquisition cost of distressed debt assets[(2)]				
FI Distressed Assets	**46,148.0**	**86.3**	55,682.2	63.2
NFI Distressed Assets	**7,335.1**	**13.7**	32,370.6	36.8
Total	**53,483.1**	**100.0**	88,052.8	100.0
Income from distressed debt assets[(3)]				
FI Distressed Assets	**8,232.4**	**51.4**	9,171.4	45.8
NFI Distressed Assets	**7,786.0**	**48.6**	10,873.6	54.2
Total	**16,018.4**	**100.0**	20,045.0	100.0

Notes:

(1) Mainly include the Company's distressed debt assets at fair value through profit or loss and distressed debt assets at amortized cost.

(2) Represents the carrying amount of distressed debt assets acquired during the year indicated.

(3) Mainly include the Company's fair value changes on acquisition-operation distressed debt assets and income from distressed debt assets at amortized cost.

FI Distressed Assets

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

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

	For the year ended December 31,			
	2023		2022	
	Amount	**% of total**	Amount	% of total
	(in millions of RMB)			
Large commercial banks	**10,356.5**	**22.4**	7,961.0	14.3
Joint-stock commercial banks	**13,554.7**	**29.4**	18,108.6	32.5
City and rural commercial banks	**18,016.7**	**39.0**	10,593.6	19.0
Other banks[1]	**1,805.4**	**4.0**	5,086.4	9.1
Non-banking financial institutions[2]	**2,414.7**	**5.2**	13,932.6	25.1
Total	**46,148.0**	**100.0**	55,682.2	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, financial leasing companies and finance companies.

NFI Distressed Assets

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

5.3.1.2 Business Model of Distressed Debt Assets

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

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

	As at and for the year ended December 31,			
	2023		2022	
	Amount	**% of total**	Amount	% of total
	(in millions of RMB)			
Net balance of distressed debt assets				
Acquisition-operation Distressed Assets(1)	**248,706.6**	**80.8**	241,034.2	70.6
Restructured Distressed Assets(2)	**59,173.3**	**19.2**	100,221.2	29.4
Total	**307,879.9**	**100.0**	341,255.4	100.0
Acquisition cost of distressed debt assets				
Acquisition-operation Distressed Assets	**52,837.3**	**98.8**	74,157.9	84.2
Restructured Distressed Assets	**645.8**	**1.2**	13,894.9	15.8
Total	**53,483.1**	**100.0**	88,052.8	100.0
Income from distressed debt assets				
Acquisition-operation Distressed Assets(3)	**9,934.2**	**62.0**	9,974.3	49.8
Restructured Distressed Assets(4)	**6,084.2**	**38.0**	10,070.7	50.2
Total	**16,018.4**	**100.0**	20,045.0	100.0

Notes:

(1) Mainly include the Company's distressed debt assets at fair value through profit or loss.

(2) Equivalent to the Company's distressed debt assets at amortized cost minus allowance for impairment losses, as presented in the Consolidated Financial Statements.

(3) Mainly include the Company's fair value changes on acquisition-operation distressed debt assets, which include realized and unrealized parts.

(4) Equivalent to the Company's income from distressed debt assets at amortized cost, as presented in the Consolidated Financial Statements.

Acquisition-operation Distressed Assets

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

In 2023, the Company actively adopted effective measures to cope with the new changes in the distressed asset market and continued to promote high-quality development of acquisition-operation business. In terms of asset acquisition, the Company enhanced marketing to improve marketing quality, expanded acquisition sources, unblocked supply and demand chains, optimized the resource allocation and strengthened effective investment to support all kinds of financial institutions to revitalize their distressed assets, maintaining the dominance of the core business and the market leading position. In terms of asset disposal, the Company balanced disposal turnover and value preservation, grasped disposal opportunities, accelerated cash recovery, and improved disposal efficiency.

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

	As at and for the year ended December 31,	
	2023	2022
	(in millions of RMB)	
Net balance of Acquisition-operation Distressed Assets	**248,706.6**	241,034.2
Acquisition cost of Acquisition-operation Distressed Assets	**52,837.3**	74,157.9
Carrying amount of Acquisition-operation Distressed Assets disposed[(1)]	**45,229.3**	40,032.7
Unrealized fair value changes	**1,827.0**	1,649.8
Net income from Acquisition-operation Distressed Assets	**9,934.2**	9,974.3
Internal rate of return[(2)] (%)	**7.4**	7.8

Notes:

(1) Represents the amounts of Acquisition-operation Distressed Assets disposed in a given period.

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

Restructured Distressed Assets

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

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

	As at and for the year ended December 31,	
	2023	2022
	(in millions of RMB)	
Net balance of Restructured Distressed Assets	**59,173.3**	100,221.2
Acquisition cost of Restructured Distressed Assets	**645.8**	13,894.9
Income from Restructured Distressed Assets	**6,084.2**	10,070.7
Annualized return on monthly average balance of Restructured Distressed Assets(1) (%)	**6.1**	7.6
Balance of Restructured Distressed Assets classified as substandard, doubtful and loss(2)	**9,552.9**	9,285.7
Impaired Restructured Distressed Assets ratio(3) (%)	**13.66**	8.20
Allowance for impairment losses	**10,736.8**	13,060.5
Impaired Restructured Distressed Assets coverage ratio(4) (%)	**112.4**	140.7

Notes:

(1) Equals the income from Restructured Distressed Assets (excluding the profits or losses on the disposal of impaired assets) divided by monthly average balance of Restructured Distressed Assets.

(2) Equals Restructured Distressed Assets classified as substandard, doubtful and loss with reference to the "Guidelines for the Classification of Loan Risks" of the CBRC.

(3) Equals the balance of Restructured Distressed Assets classified as substandard, doubtful and loss divided by the gross balance of Restructured Distressed Assets.

(4) Equals asset impairment reserve balance divided by the balance of Restructured Distressed Assets classified as substandard, doubtful and loss.

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

	As at December 31,			
	2023		2022	
	Acquisition Amount	**% of total**	Acquisition Amount	% of total
	(in millions of RMB)			
Real estate	**44,404.6**	**63.5**	53,665.6	47.4
Manufacturing	**6,485.5**	**9.3**	11,427.8	10.1
Leasing and commercial services	**6,218.2**	**8.9**	7,758.2	6.8
Wholesale and retail trade	**4,011.4**	**5.7**	6,987.8	6.2
Construction	**3,133.2**	**4.5**	5,940.7	5.2
Mining	**2,872.2**	**4.1**	7,153.8	6.3
Water conservancy, environment and public facilities management	**1,324.8**	**1.9**	6,007.3	5.3
Others	**1,460.2**	**2.1**	14,340.5	12.7
Total	**69,910.1**	**100.0**	113,281.7	100.0

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

	As at December 31,			
	2023		2022	
	Acquisition Amount	**% of total**	Acquisition Amount	% of total
	(in millions of RMB)			
Bohai Rim	**22,164.5**	**31.7**	28,089.1	24.8
Yangtze River Delta	**6,819.4**	**9.8**	16,175.5	14.3
Pearl River Delta	**8,369.4**	**12.0**	14,112.6	12.5
Central China	**13,864.3**	**19.8**	27,012.6	23.8
Western China	**16,510.9**	**23.6**	24,264.0	21.4
Northeastern China	**2,181.6**	**3.1**	3,627.9	3.2
Total	**69,910.1**	**100.0**	113,281.7	100.0

5.3.1.3 DES Assets Management

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

In 2023, the Company continued its efforts in the DES business to serve the national supply-side structural reform. By embracing the policy opportunities presented by the mixed ownership reform of state-owned enterprises and the market-oriented DES business, the Company further enhanced the disposal of DES projects and accelerated the appropriate disposal of listed equity assets. Furthermore, the Company continued to promote the market-oriented DES business to support state-owned enterprises to deleverage and to support enterprises in strategic emerging industries to reduce costs and increase efficiency, further consolidating the Company's professional brand image.

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

	As at and for the year ended December 31,	
	2023	2022
	(in millions of RMB)	
Total book value		
DES Assets at fair value through profit or loss	**34,325.7**	34,129.1
DES Assets at interests in consolidated structured entities and associates and joint ventures	**62,948.2**	59,826.9
DES Assets at fair value through other comprehensive income	**3,607.2**	3,048.3
Total	**100,881.1**	97,004.3
DES Assets Income		
Fair value changes[(1)]	**2,930.3**	1,118.9
Gains realized with other accounting approaches[(2)]	**5,824.6**	8,653.3

Notes:

(1) Refers to fair value changes of the DES Assets at fair value through profit or loss, including the net gains on disposal of DES Assets, dividend income, interest income and unrealized fair value changes.

(2) Includes net gains or losses from DES Assets at interests in consolidated structured entities and associates and joint ventures and dividend income from DES Assets at fair value through other comprehensive income.

5.3.1.4 Other Distressed Asset Businesses

Other distressed asset business of the Group is the distressed asset business conducted in a comprehensive operation method other than distressed debt asset business and DES business. The Group mainly conducts other distressed asset business through the Company, Cinda Hong Kong, Cinda Investment and Zhongrun Development.

Other Distressed Asset Business of the Company

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

Other distressed asset business of the Company mainly covers four major business segments. Among them, the energy and infrastructure sector mainly includes new energy, traditional energy upgrading, steel, chemical, infrastructure and other fields; the real estate sector mainly includes real estate risk mitigation and participation in the construction of "three major projects" of real estate; the new economy and capital market sector mainly includes strategic emerging industries such as new medicine, new materials and high-end equipment manufacturing, as well as risk defusion in the capital market; the central and local state-owned enterprises sector mainly includes businesses such as state-owned enterprise reform and stock assets revitalization conducted with central enterprise and state-owned enterprise customers.

In 2023, focusing on "five target areas" of finance with the aim to serve the development of real economy, the Company actively explored the business opportunities in such fields as the divestiture of principal and subsidiary and the revitalization of existing inefficient assets of "non-main business, non-dominant business", "inefficient assets, ineffective assets", and "receivables and inventories" from central enterprises and state-owned enterprises, business crisis relief, bankruptcy reorganization, and listed companies bailout. The Company consolidated its customer and business advantages formed through years, deep cultivation in the energy sector, actively explored opportunities for the development of new quality productivity, and steadily participated in the real estate relief business. In addition, the Company participated in corporate bankruptcy and reorganization through reorganization investment, financial consulting and common benefits debt, and provided comprehensive financial services. The Company remained committed to the client-centric strategy, strengthened "headquarter-to-headquarter" marketing, created an ecosystem around the value chain of "extensive distressed asset" business, gave play to the brand advantages of "Ten Provinces and Twenty Cities", cooperated with the central enterprises, state-owned enterprises and leading enterprises, and vigorously expanded cooperation with preponderant industry investors to capture significant business opportunities.

As at December 31, 2022 and 2023, the balance of other distressed asset business of the Company amounted to RMB186.70 billion and RMB190.63 billion, respectively. In 2022 and 2023, the new investment in other distressed asset business of the Company amounted to RMB52.31 billion and RMB57.64 billion, and the income amounted to RMB6.45 billion and RMB3.63 billion, respectively.

The table below sets forth the new investment in other distressed assets of the Company classified by sector as at the dates indicated.

	For the year ended December 31,			
	2023		2022	
	Amount	**% of total**	Amount	% of total
	(in millions of RMB)			
Energy and infrastructure	**14,754.4**	**25.6**	10,054.2	19.2
Real estate	**16,567.7**	**28.7**	14,097.7	27.0
New economy and capital market	**6,405.5**	**11.1**	9,174.0	17.5
Central and local state-owned enterprises	**18,999.7**	**33.0**	17,615.8	33.7
Others	**914.0**	**1.6**	1,366.5	2.6
Total	**57,641.3**	**100.0**	52,308.2	100.0

Cinda Hong Kong

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

As at December 31, 2022 and 2023, the balance of other distressed asset business of Cinda Hong Kong amounted to RMB41.95 billion and RMB42.97 billion, respectively. In 2022 and 2023, the income of other distressed asset business of Cinda Hong Kong amounted to RMB2.57 billion and RMB3.44 billion, respectively.

Cinda Investment

By shouldering its responsibility, Cinda Investment deeply integrated into the coordinated development of the Group, gave full play to the functions of the domestic shareholding platform and the distressed asset management platform, focused on and highlighted the main business, and promoted business transformation. Cinda Investment emphasized business characteristics of "proactive management, value restoration, stock revitalization, resources integration, and group coordination", formed a mature business model and profit model in the real economy industry such as energy resources and advanced technology, so as to build a highly professional and top-ranking investment institution in problematic institutions' bailout.

As at December 31, 2022 and 2023, the balance of other distressed asset business of Cinda Investment amounted to RMB62.02 billion and RMB59.41 billion, respectively. In 2022 and 2023, the income of other distressed asset business of Cinda Investment amounted to RMB4.14 billion and RMB4.96 billion, respectively.

Zhongrun Development

Based on its professional ability and brand advantages in the field of enterprise custody, bankruptcy and liquidation management, Zhongrun Development focused on the enterprise bankruptcy reorganization and rescue of distressed companies, concentrated on investment in problematic institutions, established the dedicated platform to provide financing of bankruptcy costs and common benefits debt in the bankruptcy procedure for distressed enterprises, explored special investment opportunities such as enterprise restructuring and reorganization by means of custody, liquidation and reorganization, so as to collaborate and promote the "extensive distressed asset" business and to carry out light assets management.

As at December 31, 2022 and 2023, the balance of other distressed asset business of Zhongrun Development amounted to RMB3.04 billion and RMB2.42 billion, respectively. In 2022 and 2023, the income of other distressed asset business of Zhongrun Development amounted to RMB0.36 billion and RMB0.11 billion, respectively.

Cinda Real Estate

As a professional real estate platform of the Group, Cinda Real Estate played the role of "project management operator, post-investment assistant, and real estate investment advisor" in the Group's distressed assets business of real estate. Cinda Real Estate revitalized distressed real estate, explored and enhanced values of such assets through methods such as equity merger and entrusted construction, so as to provide effective channels for asset disposal and realization. Cinda Real Estate adopted various modes such as acquisition, merger, entrusted construction, joint construction, supervision, management upon authorization, and consultation to participate in the Group's real estate business synergy, promoted the resumption of real estate risk projects and practically "ensuring delivery of housing projects and social stability, and improve people's livelihood". In 2023, Cinda Real Estate witnessed management of 3.20 million square meters of new collaborative projects, revitalizing a total of 6.98 million square meters.

In 2022 and 2023, Cinda Real Estate achieved revenue from sales of properties held for sale of RMB16.05 billion and RMB9.50 billion, respectively.

5.3.1.5 Entrusted Operation

The Group provides entrusted operation services to distressed assets and entities under the engagement of government, enterprises and financial institutions. The entrusted distressed asset operation business is mainly conducted by the Company. As at December 31, 2022 and 2023, the balance of the entrusted operation distressed assets amounted to RMB8.31 billion and RMB9.65 billion, respectively.

5.3.2 Financial Services Business

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

In 2022 and 2023, the income from the financial services business accounted for 30.1% and 42.5% of the total income of the Group, respectively, and the profit before tax from the financial services business accounted for 56.6% and 65.2% of the profit before tax of the Group, respectively.

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

	As at and for the year ended December 31,							
	2023				2022			
	Income	**Profit before tax**	**Total assets**	**Net assets**	Income	Profit before tax	Total assets	Net assets
				(in millions of RMB)				
NCB	**21,972.8**	**3,230.0**	**502,487.9**	**60,523.4**	14,680.5	3,735.5	482,332.0	54,385.7
Cinda Securities	**5,146.4**	**1,734.6**	**77,903.2**	**18,339.8**	4,670.7	1,517.3	65,762.3	14,181.4
Jingu Trust	**1,263.2**	**456.7**	**9,146.8**	**4,666.7**	800.4	181.7	6,865.8	4,363.2
Cinda Financial Leasing	**4,182.5**	**741.7**	**83,168.3**	**8,986.2**	4,103.2	691.4	80,383.5	8,243.7

Note:

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

5.3.2.1 Banking Business

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

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

NCB

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

	As at and for the year ended December 31,	
	2023	2022
	(in billions of RMB)	
Total assets	**502.5**	482.3
Total loans	**270.3**	262.4
Total deposits	**357.4**	326.5
Net interest income	**7.2**	6.2
Net commission and fee income	**1.2**	1.1
Asset quality indicators (%)		
Non-performing loan ratio(1)	**2.32**	1.19
Capital adequacy ratio indicators (%)		
Total capital ratio(2)	**18.56**	17.45
Tier-1 capital ratio(3)	**15.20**	14.04
Tier-1 common capital ratio(4)	**13.23**	12.67
Profitability indicators (%)		
Return on average assets(5)	**0.63**	0.73
Return on average shareholder's equity(6)	**5.14**	6.15
Net interest margin(7)	**1.60**	1.44
Cost-to-income ratio(8)	**34.82**	36.16
Other indicators (%)		
Liquidity coverage ratio(9)	**165.02**	139.36

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 common capital divided by net risk-weighted assets.

(5) Equals profit after tax for the period divided by the average of assets as at the beginning and the end of the period.

(6) Equals net profit attributable to equity holders for the period divided by the average of equity attributable to equity holders as at the beginning and the end of the period.

(7) Equals net interest income divided by daily average balance of interest-generating assets.

(8) Equals operating expenses divided by operating income.

(9) Equals high-quality liquid asset reserves divided by the difference between cash outflows over the next 30 days and cash inflows over the next 30 days.

NCB Hong Kong

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

Based on the business philosophy of "serving two places with one line of continuity", and the national strategies including the outline development plan for the Guangdong-Hong Kong-Macao Greater Bay Area, NCB Hong Kong supported Hong Kong to consolidate its position as one of the international finance centers. Leveraging the synergy of the Group, NCB Hong Kong gave full play to its expertise in cross-border financial, investment banking and commercial banking linkage, offshore RMB and other businesses to optimize its products and service processes, enhance its online and offline customer service channels, accelerate the transformation of financial advisory and comprehensive financial steward business, strengthen the use of financial technology, improve cross-border service professional level and customer experience, and further establish the characteristic advantages of sub-sectors, which has improved high-quality development of operating business.

In 2023, NCB Hong Kong was honored by Asia Money, a leading magazine in the financial sector, with the "Rising Star in the Greater Bay Area 2023", and honored by Hong Kong Ta Kung Wen Wei Media Group with the "Best Bank in the Guangdong-Hong Kong-Macao Greater Bay Area". NCB Hong Kong played the role of the core platform of the Group's comprehensive financial services, created a special cross-border product system, supported the development of the Group's credit granting and industrial investment, and formed a greater synergy in financial services for the real economy and high-quality development. In 2023, NCB Hong Kong achieved a synergistic income of HKD0.14 billion.

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

	As at and for the year ended December 31,	
	2023	2022
	(in billions of RMB)	
From personal customers		
Balance of loans	**27.9**	29.8
Balance of deposits	**169.7**	136.5
Net interest income	**0.9**	0.8
Net commission and fee income	**0.3**	0.3
From corporate customers		
Balance of loans	**164.3**	160.1
Balance of deposits	**107.5**	122.1
Net interest income	**2.0**	2.1
Net commission and fee income	**0.5**	0.5

NCB China

NCB China is mainly engaged in banking businesses including corporate banking business, personal banking business and financial markets business.

Relying on the Group's resources and giving full play to the Group collaboration and comprehensive financial service advantages and offshore and onshore cross-border business advantages, NCB China created differentiated, specialized and distinctive competitiveness in asset management, cross-border finance, wealth management, etc. NCB China adhered to the tenet of "dedicating to serving customers", and continuously improves the service to both domestic and overseas customers by leveraging on the empowerment of financial technology.

NCB China exerted its professional advantages to effectively support the project process management of the Group's main business of distressed assets through comprehensive financial services such as account opening and fund supervision, and shared customers and project resources within the Group. In 2023, the synergistic business of NCB China with the Group totaled RMB22.96 billion, and realized business synergy income of RMB0.33 billion, which effectively supported the Group's business expansion in FI and NFI Distressed Assets acquisition and equity projects, and improved its capabilities for process management and risk forestalling of projects of the main business of distressed assets.

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

	As at and for the year ended December 31,	
	2023	2022
	(in billions of RMB)	
Total assets	**149.4**	142.8
Total loans	**82.4**	81.1
Total deposits	**87.4**	85.1
Net interest income	**1.6**	1.7
Net commission and fee income	**0.2**	0.2
Asset quality indicators (%)		
Non-performing loan ratio	**1.48**	1.36
Provision coverage ratio	**139.14**	136.16
Capital adequacy ratio indicators (%)		
Core tier-1 capital adequacy ratio	**16.20**	16.69
Tier-1 capital adequacy ratio	**16.20**	16.69
Capital adequacy ratio	**16.67**	17.10
Profitability indicators (%)		
Return on average assets	**0.33**	0.66
Return on average shareholder's equity	**2.92**	6.07

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

	As at December 31,			
	2023		2022	
	Amount	**% of total**	Amount	% of total
	(in billions of RMB)			
Loan				
Corporate Banking Business	**64.2**	**77.9**	60.9	75.0
Personal Banking Business	**18.2**	**22.1**	20.2	25.0
Total	**82.4**	**100.0**	81.1	100.0
Deposits				
Corporate Banking Business	**76.2**	**87.2**	75.0	88.1
Personal Banking Business	**11.2**	**12.8**	10.1	11.9
Total	**87.4**	**100.0**	85.1	100.0

5.3.2.2 Securities, Futures and Fund Management

The Group conducts securities, futures and fund management business through Cinda Securities and its subsidiaries. In 2022 and 2023, the revenue of Cinda Securities amounted to RMB3,437.8 million and RMB3,483.5 million, respectively.

Cinda Securities continued to strengthen its capacity, vigorously cultivating and introducing high-quality research teams. Cinda Securities strengthened synergy with the main business of distressed assets, and provided industry and corporate research as well as investment banking services for projects of the Group, further enhancing the depth and breadth of its services. Giving full play to the role of the Group's synergistic ecosystem and strengths, Cinda Securities pooled such resources as customer channels, business information and business opportunities, formed a strategy of internal resource integration and external synergistic marketing, and continued to make efforts in mergers and acquisitions, reorganization and private enterprise bailout. All these efforts accumulated rich operational experience and professional capabilities, and formed differentiated advantages in the field of distressed asset management and investment in special opportunities, which resulted in a continuously improved brand image.

Cinda Securities was successfully listed in early 2023, becoming the 43rd A-share listed securities company. In December 2023, Cinda Securities was included in the sample shares of the CSI 300 Index by the Shanghai Stock Exchange, being the 19th A-share listed securities company to be included in the index.

Cinda Securities

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

	For the year ended December 31,			
	2023		2022	
	Amount	**% of total**	Amount	% of total
	(in millions of RMB)			
Securities and futures brokerage	**1,331.6**	**38.2**	1,446.0	42.1
Proprietary securities trading	**549.2**	**15.8**	74.7	2.2
Investment banking	**201.6**	**5.8**	168.8	4.9
Asset management	**1,065.7**	**30.6**	1,507.0	43.8
Other business	**335.4**	**9.6**	241.3	7.0
Total	**3,483.5**	**100.0**	3,437.8	100.0

Cinda Futures

The Group conducts futures business through Cinda Futures. In 2022 and 2023, income from the futures business of Cinda Futures amounted to RMB208.3 million and RMB226.4 million, respectively, and the operating profit realized amounted to RMB87.3 million and RMB97.2 million, respectively.

Cinda Fund

The Group conducts mutual fund business through 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 December 31, 2022 and 2023, the Group had 51 and 67 mutual securities investment funds with the total AUM of mutual funds and asset management plans amounted to RMB103.49 billion and RMB105.95 billion, respectively. In 2022 and 2023, management fee income from mutual funds and asset management plans amounted to RMB985.0 million and RMB877.0 million, respectively.

Cinda International

The Group conducts cross-border securities brokerage, financial product trading, investment banking and asset management businesses in Hong Kong through Cinda International. In 2022 and 2023, the revenue of Cinda International amounted to RMB97.5 million and RMB93.4 million, respectively.

5.3.2.3 Trusts

The Group conducts trust business through Jingu Trust. As at December 31, 2022 and 2023, the existing trust AUM of the Group amounted to RMB167.39 billion and RMB185.67 billion, respectively, and the Group managed 304 and 439 existing trust projects, respectively. In 2022 and 2023, the commission and fee income generated from trust business were RMB0.69 billion and RMB0.85 billion, respectively, accounting for 87.3% and 81.7% of Jingu Trust's total revenue in respective periods.

Aiming at building an important platform for "asset management, trust services and wealth management", Jingu Trust has been actively integrating resources, innovating special development models, and strengthening strategic synergy with the Group. Giving full play to its features and advantages of trusts business, Jingu Trust assisted the Group in the business of distressed assets operation. Jingu Trust had nearly RMB36.8 billion of new synergy projects in 2023, and the balance of the synergy business reached RMB54.5 billion at the end of 2023, forming a close business synergy structure and an operable and replicable business model.

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

	As at December 31,			
	2023		2022	
	Amount	**% of total**	Amount	% of total
	(in millions of RMB)			
Infrastructure	**30,889.9**	**16.6**	21,836.0	13.0
Real estate	**7,256.1**	**3.9**	10,665.6	6.4
Securities markets	**27,232.6**	**14.7**	14,418.6	8.6
Industry and commerce	**59,539.0**	**32.1**	96,534.7	57.7
Financial institutions	**799.1**	**0.4**	3,141.1	1.9
Asset-backed securitization	**59,413.8**	**32.0**	20,642.5	12.3
Others	**539.7**	**0.3**	155.9	0.1
Total	**185,670.2**	**100.0**	167,394.4	100.0

5.3.2.4 Financial Leasing

The Group conducts financial leasing business through Cinda Financial Leasing. As at December 31, 2022 and 2023, the net finance lease receivables of the Group were RMB69.64 billion and RMB72.95 billion, respectively. In 2022 and 2023, the net revenue generated by the financial leasing business of the Group were RMB1,934.9 million and RMB1,856.2 million, respectively, and the net profit generated from the financial leasing business of the Group for the same period were RMB549.5 million and RMB742.5 million, respectively.

Cinda Financial Leasing focused on the Group's main responsibility and business of distressed assets and gave full play to the characteristics and product advantages of "fund financing + assets financing" to enrich the Group's integrated financial toolbox and to deeply integrate into the customer base of the ecosystem. Cinda Financial Leasing adhered to its strategic positioning, gave full play to its advantages, and served the real economy. Cinda Financial Leasing supported manufacturing enterprises to realize equipment upgrading, energy saving and emission reduction, helped enterprises to improve energy efficiency and achieve sustainable development. Cinda Financial Leasing provided tailored financial services by focusing on the new generation of information technology industry, new materials industry, new energy industry and other areas of enterprise development needs. Cinda Financial Leasing also increased the support for micro, small and medium-sized enterprises to precisely input financial "living water" for enterprises. In 2023, Cinda Financial Leasing made 29 new collaborative investments in the Group's strategic and important customers, with a contract value of RMB6.11 billion.

Product Types

In 2023, the net income from specialized products and non-specialized products was RMB501.2 million and RMB1,355.0 million, respectively, representing 27.0% and 73.0% of Cinda Financial Leasing's net income for the periods, respectively.

Industry Distribution

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

	As at December 31,			
	2023		2022	
	Amount	**% of total**	Amount	% of total
	(in millions of RMB)			
Manufacturing	**20,979.4**	**27.4**	20,741.9	28.7
Construction	**16,462.0**	**21.5**	17,489.7	24.2
Leasing and commercial services	**15,007.2**	**19.6**	12,213.8	16.9
Mining	**6,278.5**	**8.2**	6,070.8	8.4
Transportation, logistics and postal services	**5,589.4**	**7.3**	5,059.0	7.0
Water conservancy, environment and public facilities management	**4,594.0**	**6.0**	3,396.8	4.7
Production and supply of power, heat, gas and water	**3,522.1**	**4.6**	4,408.5	6.1
Others	**4,134.6**	**5.4**	2,890.9	4.0
Total	**76,567.3**	**100.0**	72,271.3	100.0

5.3.3 Information Technology

In 2023, the Company implemented the spirit of the central financial work conference, centered on the strategic goal of "Digital Cinda", and made great progress in strengthening network security protection, promoting the construction of new core projects, and deepening the Group's data governance and information control in accordance with the roadmap of information planning and implementation.

The information technology management system operated normally and information security requirements were satisfied. The Company passed the annual certification of the ISO27001 information security management system and the ISO20000 information technology service management system, optimized the management methods related to information security and clarified the requirements for the management of open-source software and data security.

Continuously promoting the information system construction to serve and empower business development. The Company optimized the project management mode, strengthened the investment in independent R&D, integrated the use of new technologies, launched new core, new financial and pricing management systems, deepened the construction of customer systems and collaborative APPs, and made great progress in such areas as controlling whole-process and full-scenario-based business, supporting the flexible application of non-standard business transaction structure, tracing and managing the whole life cycle of assets, strengthening the integrated interaction and the data consistency of business, assets and finance, facilitating the data sharing among systems, integrating internal and external data, empowering due diligence and risk management, proposing risk compliance control, and supporting business development on mobile devices. The Company further utilized the supportive role of archives for business by completing the construction of the digital archive system to meet the conditions for the acceptance of the pilot digital archive room of the National Archives Administration of China; upgraded the "Smart Search" investment promotion system to expand the investment promotion channels; completed the construction of the digital talent pool to strengthen digital talent resource management; and optimized the systems of fund management and liability financing to improve whole-process and full-scenario-based support for end-to-end business.

Deepening the Group's data governance, implementing regulatory reporting requirements, and exploring data mining and utilization. The Company implemented the EAST regulatory reporting requirements of the NFRA, improved data standards, realized automated data collection and processing, and promoted the implementation of the Group's data governance achievements. The Company also strengthened the connection of data demands at the primary level, improved work efficiency, promoted the data asset management platform, enhanced the transparency of data management and processing, standardized the management of external data, and strengthened the ability of data mining and business opportunity identification.

Strengthening the Group's information management and control to meet the Group's digital transformation requirements. The Company completed the differentiated adaptation of the new core and new financial system for trial operation in the pilot of Cinda Investment, which initially reached the goal of the pilot of integrated management of business and finance of non-financial subsidiaries; the Company also continued to promote the construction of key informatization projects of subsidiaries, with significant progress made in the new system of NCB Hong Kong, and the new generation system launched by Cinda Financial Leasing.

Fulfilling the main responsibility for network security to ensure the safe and stable operation of information systems. The Company strengthened network security and data security construction, completed the filing of information system protection by levels, and carried out information security risk assessment. As the result, the Company realized stable operation of the network and the system throughout the year with the availability rate of key systems reaching 99.99%, and effective system security construction and management without any information security and network security incidents. The Company completed annual disaster recovery drills as planned to continuously ensure information system disaster recovery and business continuity capability.

5.3.4 Human Resources Management

In 2023, the Company continued to follow the talent concept of "hiring based on talent, position based on competence", vigorously implemented the strategy of developing the Company through talents, continued to promote the five-year plan for the construction of the Company's team of cadres, further strengthened the management of the Company's talent pool and the exchange mechanism for cadres and employees, and promoted the development of employees in multiple ways and angles. The Company issued and implemented the Flexible Organization Management Measures (Trial), to build non-permanent flexible organizations across institutions, departments and lines, and to promote the transformation of the Company's organizations into business-oriented and open-sharing mode; the Company also continued to establish and improve the incentive and constraint mechanism, established a reasonable and standardized distribution of income, stimulated the vitality of the enterprise by inspiring the creativity, initiative and enthusiasm of its employees, and strove to refine the mechanism, increase the efficiency, and strengthen the management, so as to provide strong organizational guarantee and talent support for the Company's high-quality and sound development.

5.3.4.1 Employees

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

	As at December 31,			
	2023		2022	
	Number of employees	**% of total**	Number of employees	% of total
By location				
Employees in Mainland China	**12,144**	**87.3**	11,978	87.3
Employees in Hong Kong and Macao	**1,764**	**12.7**	1,739	12.7
By gender				
Male	**7,649**	**55.0**	7,567	55.2
Female	**6,259**	**45.0**	6,150	44.8
Total	**13,908**	**100.0**	13,717	100.0

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

5.3.4.2 Remuneration Policy

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

5.3.4.3 Education and Training

In 2023, the Company actively explored new mechanisms, new paths and new methods for the growth and training of its cadres and employees, innovated training forms, carried out a series of practical training activities to simulate the main business, continuously promoted the construction of its hierarchical and classified training system, and provided its cadres and employees at all levels with multi-channels, multi-levels and multi-types of training, to continue to enhance the employees' professional competence and comprehensive quality. Through the combination of on-site training and video lectures, offline self-study and online learning, more than 2,100 training sessions of various types have been completed and the training attendance exceeded 200,000 throughout the year, providing strong support and guarantees for the Company's high-quality development.

5.4 Risk Management

5.4.1 Framework of Comprehensive Risk Management

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

In 2023, the Company continued to promote the construction of a comprehensive risk management system, thoroughly implemented the risk management concept of "protecting the bottom-line by managing risks proactively", ensured the transmission of risk appetite within the Group, formulated and adjusted risk management and control policies in a timely manner, strengthened the Group's risk control, and optimized the risk control of the entire business process. The Company vigorously promoted risk disposal, eliminated hidden risks, and prevented new risks, so as to stabilize asset quality and strive for high-quality business development. Moreover, the Company strengthened early identification, early warning, early detection and early disposal of risks, provided timely risk warnings, took measures to proactively respond to risks, and enhanced the prospectiveness and effectiveness of the Group's risk management. The Company also established a mechanism for reviewing and analyzing risk items, and continuously conducted extensive educational propaganda within the Company to deeply implement the Company's risk management culture.

5.4.2 Risk Appetite

At the beginning of 2023, the Risk Appetite Statement of the Group (2023) was formally implemented upon the approval of the Board and subject to its supervision in implementation. The Company continuously monitored and evaluated the operation of the risk appetite system, prepared quarterly reports on the execution of the Group's risk appetite, optimized indicators for risk appetite and improved the transmission mechanism of risk appetite, with a view to further making use of risk appetite system as a guide in the operation of the Group as a whole. Since its launch, the Group's risk appetite system has effectively promoted the Company to strictly implement national policies and regulatory requirements, further focus on the main responsibility and business, enhance support in resolving the risk of distressed institutions and distressed assets, ensure the implementation of the Group's development strategy, and accelerate the development of characteristic and differentiated operation, which provided an effective guarantee for the stable operation of the Group's business and the smooth realization of the Group's risk control objectives.

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

5.4.3 Risk Management Organizational Structure

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

In 2023, the Risk Management Committee of the Board convened six meetings to consider various resolutions, such as the risk appetite statement of the Group, and the risk management report of the Group. The risk management committee of the Senior Management convened 11 meetings to consider and approve various resolutions, such as the risk management policy, the risk limits management plan, the risk monitoring and evaluation plan of the Group and risk classification results of assets.

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

In 2023, the Company further improved its risk management structure. The independence and professionalism of risk management have been continuously improved, the risk management ability has been further strengthened, and the working efficiency of risk management has been improved. The Company continued to carry on its progress in developing a dedicated risk management team, and strove to continuously improve the performance and competence of personnel involved in risk management and comprehensively enhance the risk control awareness of all staff through risk item reconsideration and review, risk business training programs, qualification verification, and performance assessment.

5.4.4 Risk Management Policy System

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

At the beginning of 2023, the Company formulated and issued the Group's risk management policy for 2023 covering eight major types of risks, including credit risk, market risk, liquidity risk, concentration risk, related party transaction risk, operational risk, reputation risk and overseas business risk, and the Group's risk limit management scheme for 2023, covering five major parts including credit risk limit, market risk limit, liquidity risk limit, concentration risk limit and related party transaction risk limit. The Company further improved the forward-looking risk management to match the alignment of business scale, operating income and risk exposure, resolutely prevented the occurrence of systematic risks, carried out business compliantly and prudently according to the risk appetite, and ensured the asset quality and liquidity security. In 2023, the Company revised a number of measures, including the Credit Risk Management Measures, Market Risk Management Measures, Liquidity Risk Management Measures, Concentration Risk Management Measures, Aggregated Risk Management Measures of the Group, Measures for Unified Credit Management for Customers, and Stress Test Management Measures, established the business continuity management system of the Company, and formulated the Business Continuity Management Measures, so as to further refine the major risk management workflows and further improve the effectiveness of risk management and control.

In 2023, the Company completed the updating and formulation of the Company Recovery Plan (2023) and the Company Disposal Plan Proposals (2023) in accordance with the requirements of the Interim Measures for Implementation of Recovery and Disposal Plans for Banking and Insurance Institutions, which has proposed an effective plan for the Company to cope with the risk challenges in extreme situations and the systematic risk control mechanism has been further improved.

5.4.5 Risk Management Tools and System

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

In 2023, the Company proactively adjusted its business strategy and business structure in alignment with regulatory requirements and market changes, and strictly controlled the risk policy boundaries for the conduct of business, so as to ensure that the risks with key customers, industries and regions were under control. The Company also adjusted the management and control methods based on changes in risk exposure on a timely basis, so as to ensure the effectiveness and timeliness of risk management. With economic capital management on top of the agenda, the Company strictly controlled the risk limit control standard and appropriately assigned the economic capital quota for each business line, with an aim to optimize the allocation of business and management resources.

The Company actively promoted the construction of information systems related to risk management, and continued to optimize and improve the risk monitoring platform to enhance the foresight and effectiveness of risk management; further optimized and improved the internal rating system, the related party transaction system, the collateral management system and the risk warning system to continuously improve the information level of risk management.

5.4.6 Management of Credit Risk

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

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

In 2023, to fully implement the risk policies related to customers, industries, regions and products, the Company, with a focus on distressed entities and distressed assets, dove deep into the field of "extensive distressed asset", accelerated business transformation, optimized business structure, and drove the high-quality development of business. In accordance with the business strategy, the Company carried out annual optimization for the internal rating system and annual review for the customer credit ratings, so as to enhance the level of accurate credit risk measurement of the Group, consolidate the access standards for customers and projects, and realize the control of the Company's asset quality from the entry end; further improved the management mechanism of major projects and proactively strengthened the control of risk sources to prevent substantive risks of major projects, and strictly carried out risk assessment to promote the resolution of major risk items; carried out asset classification in strict accordance with regulatory requirements and internal regulations and accurately measured the risks to consolidate the quality of assets and reduce the scale of endogenous distressed assets; continued to improve the unified credit control system of the group customers and strengthened the risk identification and the credit limits management of the group customers to achieve the integrated management of customer credit and reasonably manage and control credit risk exposures of the group customers.

5.4.7 Management of Market Risk

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

With respect to interest rate risk, the Company, following the general principle of re-pricing maturities matching of assets and liabilities, has maintained the interest rate risk at a reasonable level by reasonably adjusting asset maturities and pricing methods, flexibly adjusting debt duration, and controlling the cost.

With respect to foreign exchange risk, the Company has effectively controlled its exposure to foreign exchange risks mainly by matching currencies used in assets and liabilities based on the general principle of risk neutral. Overseas financing of the Company was mainly invested in assets denominated in USD or in HKD linked to USD.

In 2023, the A-share market oscillated as affected by the slow recovery of external demand and international geopolitical conflicts, with sector rotation being obvious, and industry quotes being differentiated. The Company continuously and closely monitored the effects placed by factors such as trends of the macroeconomy, regulatory policy guidance, domestic and overseas market situation, industry development trend, cycle characteristics and liquidity changes in the value of equity enterprises, and raised its efforts in research and prejudgment so as to reasonably formulate and adjust the management strategies of its listed equity assets and endeavored to enhance management effectiveness.

5.4.8 Management of Liquidity Risk

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

The Company, focusing on liquidity security, has resolutely implemented the regulatory authorities' requirements on liquidity risk management, and constantly improved the liquidity risk management policies, procedures and institutional systems, in order to manage the liquidity risk of the Group in a holistic manner. Relying on the liquidity risk management information system, the Company conducted regular monitoring of the liquidity status of the institutions within the Group. The Company implemented liquidity risk stress tests on a regular basis to fully assess the impact of various stress scenarios on the Group's liquidity, and formulated and improved relevant liquidity contingency plans, with an aim to secure the Group's liquidity.

In 2023, market liquidity was generally reasonably abundant. The Company seized the market window and continued to optimize its liability structure under the premise of controllable costs, and furthered enhanced the matching of the term and structure of assets and liabilities. The Company continued to promote financing innovation, strengthen the construction of the financing customer ecosystem, and consolidate and expand financing channels to reinforce the stability of the financing system. The Company continued to strengthen market analysis and judgment, held regular meetings on liquidity management of subsidiaries, continued to improve the information sharing mechanism of bond underwriters and the filing mechanism of debt issuance and financing of subsidiaries, and provided forward-looking guidance to enhance the financing capacity of subsidiaries, so as to secure the Group's medium- and long-term liquidity.

5.4.9 Management of Concentration Risk

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

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

In 2023, the Company further strengthened its concentration risk management and control, enhanced information sharing, monitoring and early warning, and scientifically formulated risk limits for customers, industries, regions, related party transactions, etc. In addition, the Company matched the volume of business conducted with the operating conditions of the customers, the development trend of the industry, and the scale of the regional economy, etc., so as to promote the business in a compliant and sound manner, the optimization and adjustment of the business structure and the prevention of exposure to large-amount risks. The Company completed the revision of the Concentration Risk Management Measures and further improved the risk management mechanism of key customers, strengthened the risk identification, measurement, monitoring, control and reporting, and enhanced the prospectiveness and interaction of major customers risk management, in order to effectively control the risk exposure of the major customers.

5.4.10 Management of Operational Risk

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

In 2023, the Company continued to strengthen the quality and effectiveness of operational risk management in accordance with regulatory requirements and the current status of operational risk management. The Company carried out group-wide operational risk screening, outsourcing risk assessment and special screening for safety production to prevent major operational risk events. Meanwhile, the Company promoted the standardization of the performance of important positions and key personnel, and carried out in-depth screening of job checks and balances in order to ensure the sound development of the Company's business operations. Moreover, the Company continued to monitor the key indicators of operational risk to strengthen the timeliness of operational risk management.

5.4.11 Management of Reputation Risk

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

In 2023, the Company thoroughly implemented the regulatory requirements, continuously improved the reputation risk management system and mechanism, and enhanced the standardization of management. The Company organized comprehensive re-inspection and revision, clarified the management responsibilities, and enhanced the linkage mechanism between monitoring and early-warning. Meanwhile, the Company set up a grading and classification assessment system for reputation events, and strengthened the normalization of reputation risk management. The Company emphasized the prevention and response to reputation risks, strengthened the guidance on handling public opinion, and enhanced prevention and control at source. Furthermore, the Company carried out reputation risk management training and emergency drills to strengthen the awareness of reputation risk prevention among all staff. The Company responded to the concerns of the media and the public in a timely manner, and actively promoted a series of influential communication activities, with an aim to effectively safeguard the Company's brand and image.

During the Reporting Period, the Company's reputation risk was generally stable and controllable, and its management level was steadily improved.

5.4.12 Anti-Money Laundering

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

In 2023, the Company continued to identify and effectively prevent money laundering risks, and earnestly fulfilled the legal obligations and social responsibilities of anti-money laundering. The Company earnestly implemented the regulatory requirements and further improved the construction of internal control mechanism for anti-money laundering. Based on the assessment of money laundering risks of institutions, the Company revised and improved the anti-money laundering system; strengthened anti-money laundering inspections and special audits to enhance the effectiveness of the Group's overall money laundering risk control; continued to promote the transformation and interaction of anti-money laundering information systems, and facilitate the integration of such systems with business practices, so as to provide more convenient support for practitioners in fulfilling their obligations to anti-money laundering; and organized and carried out hierarchical, targeted and diversified forms of anti-money laundering training and publicity to strengthen the ability of practitioners to perform their duties and raise the awareness of money laundering risk prevention of all staff.

For more details on the risk management of the Company, please see "Risk Management" in the section headed "Corporate Governance Report" and Note VI. 71 "Financial risk management" to the Consolidated Financial Statements.

5.5 Capital Management

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

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

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

	As at December 31,	
	2023	2022
	(in millions of RMB)	
Core tier-1 capital adequacy ratio (%)	**11.78**	10.98
Tier-1 capital adequacy ratio (%)	**16.49**	15.48
Capital adequacy ratio (%)	**18.02**	17.25
Net core tier-1 capital	**82,101.0**	79,880.2
Net tier-1 capital	**114,849.0**	112,628.2
Net capital	**125,568.4**	125,443.1
Risk-weighted assets	**696,676.5**	727,416.4

As at December 31, 2022 and December 31, 2023, the leverage ratio (the ratio of interest-bearing liabilities, as presented in “Management Discussion and Analysis” – “Summary of Financial Position of the Group”, to equity, as presented in “Management Discussion and Analysis” – “Summary of Financial Position of the Group” – “Liabilities”) of the Company were 6.4:1 and 6.0:1, respectively.

5.6 Prospects

In 2024, with insufficient domestic effective demand, overcapacity in some industries and weak social expectations, the risks and hidden dangers remain high in China. There are obstacles in the domestic general economic circulation, and the complexity, severity and uncertainty of the external environment are on the rise. Staying true to the general principle of seeking progress while ensuring stability, the Chinese government will implement the new development philosophy in a complete, accurate and comprehensive manner by accelerating the building of a new development landscape, to push forward more vigorously the high-quality development. To that end, the Chinese government will deepen reform and opening up in a comprehensive manner, drive high-level self-reliance in science and technology, intensify macroeconomic regulation and control, effectively enhance economic vitality, prevent and defuse risks, and inspire social expectations, so as to consolidate and enhance the positive momentum of economic recovery, and continuously promote the economy to achieve effective quality upgrading and reasonable quantity growth, to comprehensively advance China's modernization and build a strong nation in a Chinese context.

Regarding the economic work, the Chinese government will go further with the general principle of seeking progress while ensuring stability, promoting stability through progress, and gradually phasing out old formats and old dynamics by establishing new ones. The Chinese government will further emphasize the counter-cyclical and cross-cyclical regulation of macro policies, continue to implement proactive fiscal policies and prudent monetary policies, and enhance innovation and coordination of policy tools. As various contradictions and problems in the financial sector are intertwined and mutually influential, there are still many hidden economic and financial risks. It is expected that the non-performing loans of commercial banks will be generated at a faster pace, and the reform and risk mitigation process of small and medium-sized financial institutions may accelerate, whereas there are hidden risks in local government debt in certain regions. In addition, the supply-demand relationship in the real estate market has undergone significant changes, and real estate enterprises still face great pressure. Risks are prone to transmiss and resonate across market, region, and border. Against such a backdrop, AMCs must focus on their main responsibilities and business, seek innovation while upholding integrity, and upgrade their business models. Only in this way will AMCs give full play to their functional advantages, and serve the high-quality development of the real economy.

The Company will, based on the guidance of Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era and fully implement the spirit of the 20th National Congress of the Party, the Central Financial Work Conference and the Central Economic Work Conference, practice the political and people-oriented nature of financial work. To that end, the Company shall accurately grasp the responsibilities of AMCs in the new era, constantly strengthen the core function of distressed assets disposal, and accelerate business transformation and upgrading, for unswervingly following the road of development of AMCs with Chinese characteristics. First, the Company will leverage the advantages in the main business of distressed assets to serve the high-quality development in the economy and society. And further increase investment in the main business of distressed assets, actively participate in the resolution of risks in key areas such as small and medium-sized financial institutions, local government debt, and real estate. Meanwhile, the Company will focus on five target areas of technology finance, green finance, inclusive finance, pension finance and digital finance, continuously deepen project differentiated advantages, and provide high-quality financial services for major strategies, key areas and weak links. Second, the Company will promote innovative models and accelerate the building of the ecosystem. And drive the ecological and digital transformation and upgrading of the main business of distressed assets towards investment banking and asset management to improve the quality and efficiency of services. The Company will promote comprehensive customer marketing activities to build a development pattern of "general distressed asset ecosystem + multi-line and multi-region specific ecosystem", and integrate resources and advantages of all parties to form service synergy. Third, the Company will push hard for the reform by staying true to the operation concept of compliance and stability. Bearing in mind the promotion of in-depth integration of the Party building and business operations, the Company is dedicated to improving the efficiency of corporate governance. For the purpose of firmly establishing the business philosophy of legality, compliance and prudence, the Company will continuously enhance the construction of long-term internal control and compliance mechanisms to effectively improve compliance and prudential operations. Meanwhile, the Company will promote a flexible organizational model, strengthen the integration of investment and research, in order to enhance the effectiveness of post-investment management, improve the full-cycle management of major projects, and continue to improve the overall risk management system. Moreover, the Company will continue to effectively manage liquidity and promote diversified sources of financing to ensure liquidity security. Also, the Company will strengthen the construction of a high-quality professional talent team for the sake of enhancing the ability of connotation-based development. Furthermore, the Company will deepen the construction of "Digital Cinda" to empower business frontline.

6 CHANGES IN SHARE CAPITAL AND INFORMATION ON SUBSTANTIAL SHAREHOLDERS

6.1 Ordinary Share Capital

As at December 31, 2023, there was no change in the ordinary share capital of the Company compared to that as at December 31, 2022, details of which were as follows:

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

6.2 Substantial Shareholders of Ordinary Shares and De Facto Controller

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

To the knowledge of the Directors, as at December 31, 2023, the following persons had, or were deemed to have, an interest or short position in the shares and underlying shares of the Company which have been recorded in the register kept by the Company pursuant to Rule 336 of the Hong Kong SFO:

Name of substantial shareholders	Capacity	Number of shares held directly and indirectly	Class of shares	Nature of interest	Approximate percentage to the total issued share capital of ordinary shares (%)	Approximate percentage to the relevant class of shares (%)
MOF	Beneficial owner	22,137,239,084	Domestic Shares	Long position	58.00	90.00
NCSSF	Beneficial owner	2,459,693,232	Domestic Shares	Long position	6.44	10.00
	Beneficial owner	2,431,615,939	H Shares	Long position	6.37	17.92
China COSCO Shipping Corporation Limited[(1)]	Interest of controlled corporation	1,907,845,112	H Shares	Long position	5.00	14.06
DBS Group Holdings Ltd[(2)]	Interest of controlled corporation	767,673,611	H Shares	Long position	2.01	5.66
	Interest of controlled corporation	741,775,774	H Shares	Short position	1.94	5.47

Notes:

(1) As per the Corporate Substantial Shareholder Notice filed by China COSCO Shipping Corporation Limited with the Hong Kong Stock Exchange on December 30, 2016, Oversea Lucky Investment Limited directly held 1,907,845,112 H Shares in the Company. As Oversea Lucky Investment Limited, COSCO SHIPPING Financial Holdings Co., Limited and China Shipping (Group) Company are all controlled corporations directly or indirectly held by China COSCO Shipping Corporation Limited, for the purpose of the Hong Kong SFO, each of COSCO SHIPPING Financial Holdings Co., Limited, China Shipping (Group) Company and China COSCO Shipping Corporation Limited is therefore deemed to be interested in the long position of 1,907,845,112 H Shares in the Company held by Oversea Lucky Investment Limited.

(2) As per the Corporate Substantial Shareholder Notice filed by DBS Group Holdings Ltd with the Hong Kong Stock Exchange on November 2, 2021, DBS Bank Ltd. directly held 767,673,611 H Shares (Long position) and 741,775,774 H Shares (Short position) in the Company. As DBS Bank Ltd. is a controlled corporation of DBS Group Holdings Ltd, DBS Group Holdings Ltd is therefore deemed to be interested in 767,673,611 H Shares (Long position) and 741,775,774 H Shares (Short position) in the Company held by DBS Bank Ltd.

6.2.2 De Facto Controller

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

MOF

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

6.3 Preference Shares

6.3.1 Issuance and Listing of Preference Shares

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

6.3.2 Number of Preference Shareholders and Particulars of Preference Shareholding

As at December 31, 2023, the Company had a total of one preference shareholder (or proxy). Particulars of shareholding of the preference shareholder (or proxy) of the Company are as follows:

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

Note:

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

6.3.3 Dividend Distribution of Preference Shares

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

Pursuant to the dividend distribution plan for 2021 Offshore Preference Shares considered and approved at the seventh meeting and the third regular meeting of the Board held on August 29, 2023, the Company distributed dividends for 2021 Offshore Preference Shares on November 3, 2023 at the rate of 4.40% (after tax) and the total amount of dividends was USD74.8 million (after tax). For details of the dividend distribution of 2021 Offshore Preference Shares, please refer to the relevant announcement of the Company dated August 29, 2023.

6.3.4 Redemption or Conversion of Preference Shares

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

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

6.3.5 Restoration of Voting Rights of Preference Shares

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

6.3.6 Accounting Policy Adopted for Preference Shares and Grounds

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

7 Directors, Supervisors and Senior Management

7.1 Directors

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

Zhang Weidong, Chairman and Executive Director

Mr. Zhang has been the executive Director since January 2020 and Chairman since August 2022. He worked in China Construction Bank from July 1992 to April 1999 and previously served as the cadre and deputy director of the real estate credit department. He joined the Company in April 1999 and successively held various positions since September 2002 as the deputy director of the asset appraisal department, the general manager of the asset appraisal department, the general manager of the market development department, the head of the reorganization leading panel office, the head of the strategic investors introduction and listing panel office, the head of the listing preparation leading panel office, the general manager of the investment and financing management department, the Board Secretary (concurrently serving as the general manager of strategic development department, the director of the financial risk research center and the director of the postdoctoral management office) and the Assistant to the President of the Company. From November 2015 to October 2019, he successively held various positions in China Trust Protection Fund Co., Ltd., including the executive director, vice president and president. Mr. Zhang served as the deputy secretary of the Party Committee of the Company from October 2019 to March 2022 and President from January 2020 to July 2022, and has been serving as the secretary of the Party Committee of the Company since March 2022, and concurrently 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.

Liang Qiang, Executive Director and President

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

Zhao Limin, Executive Director and Vice President

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

Wang Shaoshuang, Non-executive Director

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

Chen Xiaowu, Non-executive Director

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

Lu Zhengfei, Independent Non-executive Director

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

Lam Chi Kuen, Independent Non-executive Director

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

Wang Changyun, Independent Non-executive Director

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

Sun Maosong, Independent Non-executive Director

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

Shi Cuijun, Independent Non-executive Director

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

7.2 Supervisors

No.	Name	Gender	Year of birth	Position	Term of office
Current Supervisors					
1	Zhen Qinggui	Male	1965	External Supervisor	From August 2021 to August 2024
2	Liu Li	Male	1955	External Supervisor	From June 2022 to June 2025
3	Cai Xiaoqiang	Male	1961	External Supervisor	From August 2021 to August 2024
4	Gong Hongbing	Female	1966	Employee Supervisor	From September 2022 to September 2025
5	Lu Baoxing	Male	1966	Employee Supervisor	From September 2022 to September 2025
6	Yuan Liangming	Male	1965	Employee Supervisor	From September 2022 to September 2025
7	Zhou Lihua	Female	1966	Employee Supervisor	From September 2022 to September 2025

Zhen Qinggui, External Supervisor

Mr. Zhen has been an external Supervisor since August 2021. He is currently a senior partner of Beijing Zhonglun W&D Law Firm and won the "Lifetime Achievement" Award. He is also an external director of China Aviation Development Beijing Co., Ltd., an external director of China Duty Free Group (Cambodia) Co., Ltd., and an independent director of Beijing Tianlang Zhida Energy Conservation and Environmental Protection Co., Ltd. He previously served as the vice chairman of Zhonglun W&D Law Firm, the director of the Major Case Research Center, the director of the Beijing-Tianjin-Hebei Integration Research Center, the deputy director of the Risk Control Committee, an expert of the Intellectual Property Case Research and Guidance (Beijing) Base Advisory Committee of the Supreme People's Court, the deputy director of the Trademark Law Professional Committee of the tenth Beijing Lawyers Association, the director of the eighth and ninth Beijing Lawyers Association Competition and Antitrust Committee, a member of the Intellectual Property Law Committee of the National Lawyers Association. 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.

Liu Li, External Supervisor

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

Cai Xiaoqiang, External Supervisor

Mr. Cai has been an external Supervisor since August 2021. Mr. Cai currently serves as the presidential chair professor and associate vice president of The Chinese University of Hong Kong, Shenzhen, the vice president of Shenzhen Research Institute of Big Data, and the director of 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, a fellow of the Hong Kong Institute of Engineers and a fellow of the AAIA. He received the Distinguished Professor Award from the International Society of Industrial Engineering and Operations Management in 2021. He graduated from Harbin Ship Engineering Institute with a bachelor's degree in Automatic Control in 1982, graduated from Tsinghua University with a master's degree in Control Theory in 1985, graduated from Tsinghua University with a doctorate in System Engineering in 1988, and conducted postdoctoral research at the University of Cambridge and the Queen's University of Belfast, UK from 1989 to 1991.

Gong Hongbing, Employee Supervisor

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

Lu Baoxing, Employee Supervisor

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

Yuan Liangming, Employee Supervisor

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

Zhou Lihua, Employee Supervisor

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

7.3 Senior Management

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

Liang Qiang, President

Please see “Directors”.

Ling Gan, Senior Management member

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

Liu Ligeng, Vice President

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

Hu Jiliang, Vice President

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

Zhao Limin, Vice President

Please see "Directors".

Li Hongjiang, Vice President

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

Jiu Zhengchao, Assistant to President

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

Wang Zhengmin, Assistant to President

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

Luo Zhenhong, Chief Risk Officer

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

Ai Jiuchao, Board Secretary

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

Yang Yingxun, Chief Financial Officer

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

7.4 Change in Directors, Supervisors and Senior Management

7.4.1 Change in Directors

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

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

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

Since August 25, 2023, Mr. He Jieping has ceased to be the non-executive Director due to his age.

On October 24, 2023, Ms. Zhang Qiuping was elected as a non-executive Director at the 2023 second extraordinary general meeting. As of the Latest Practicable Date, the qualification of Ms. Zhang Qiuping is subject to the approval of the NFRA and her term of office will take effect from the date of approval.

Since November 20, 2023, Mr. Liu Chong has ceased to be a non-executive Director of the Company as he is unable to dedicate sufficient time to fulfill his duties due to personal matters.

Since February 26, 2024, Ms. Zhang Yuxiang has ceased to be a non-executive Director of the Company due to her age.

Since February 2023, Mr. Wang Changyun has ceased to be the independent director of Beijing Haohua Energy Resource Co., Ltd.

Since August 2023, Mr. Lu Zhengfei has ceased to be the independent supervisor of PICC Property and Casualty Company Limited.

7.4.2 Change in Supervisors

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

Since June 2023, Mr. Liu Li has ceased to be an independent director of China International Capital Corporation Limited; since January 2024, Mr. Liu Li has served as an independent director of China Galaxy Securities Co., Ltd.

7.4.3 Change in Senior Management

There is no change in the employment information of the Company's senior management personnel that needs to be disclosed.

7.5 Annual Remuneration

7.5.1 Remuneration of Directors, Supervisors and Senior Management

For details of the remuneration of Directors, Supervisors and Senior Management, please refer to Note VI. 19 "Remuneration of Directors and Supervisors" and Note VI. 20 "Key Management Personnel and Five Highest Paid Individuals" to the Consolidated Financial Statements.

7.5.2 Highest Paid Individuals

For details of the emoluments of the five highest paid individuals of the Company during the Reporting Period, please see Note VI. 20 "Key management personnel and five highest paid individuals" to the Consolidated Financial Statements.

8 CORPORATE GOVERNANCE REPORT

8.1 Summary

During the Reporting Period, the Company insisted on optimizing the corporate governance structure, improving the level of corporate governance, and promoting the scientific and standardized operation and management of the Company. The Company steadily promoted the integration of the Party's leadership and corporate governance, actively built a corporate governance mechanism with Chinese characteristics, attached great importance to and improved risk prevention and response capabilities, and strengthened compliance management and internal control to ensure the standardized and stable operation of the Company.

The Company adhered to the principle of transparent communication, disclosed the Company's information to the market in an accurate and honest manner, and responded to investors' concerns and questions in a timely manner so as to establish a good trust and interaction relationship. The Company continued to optimize and improve ESG-related work. By formulating and implementing strategies and governance practices that were in line with social and environmental responsibilities, the Company continued to enhance its concern and respect for its employees, investors and the social environment, laying a foundation for enhancing the Company's social reputation and good image and providing a solid guarantee for the Company's sustainable development.

Details of the Company's mission, vision, core values and concept are set out under "Corporate Culture" in this report.

8.1.1 Corporate Governance Code

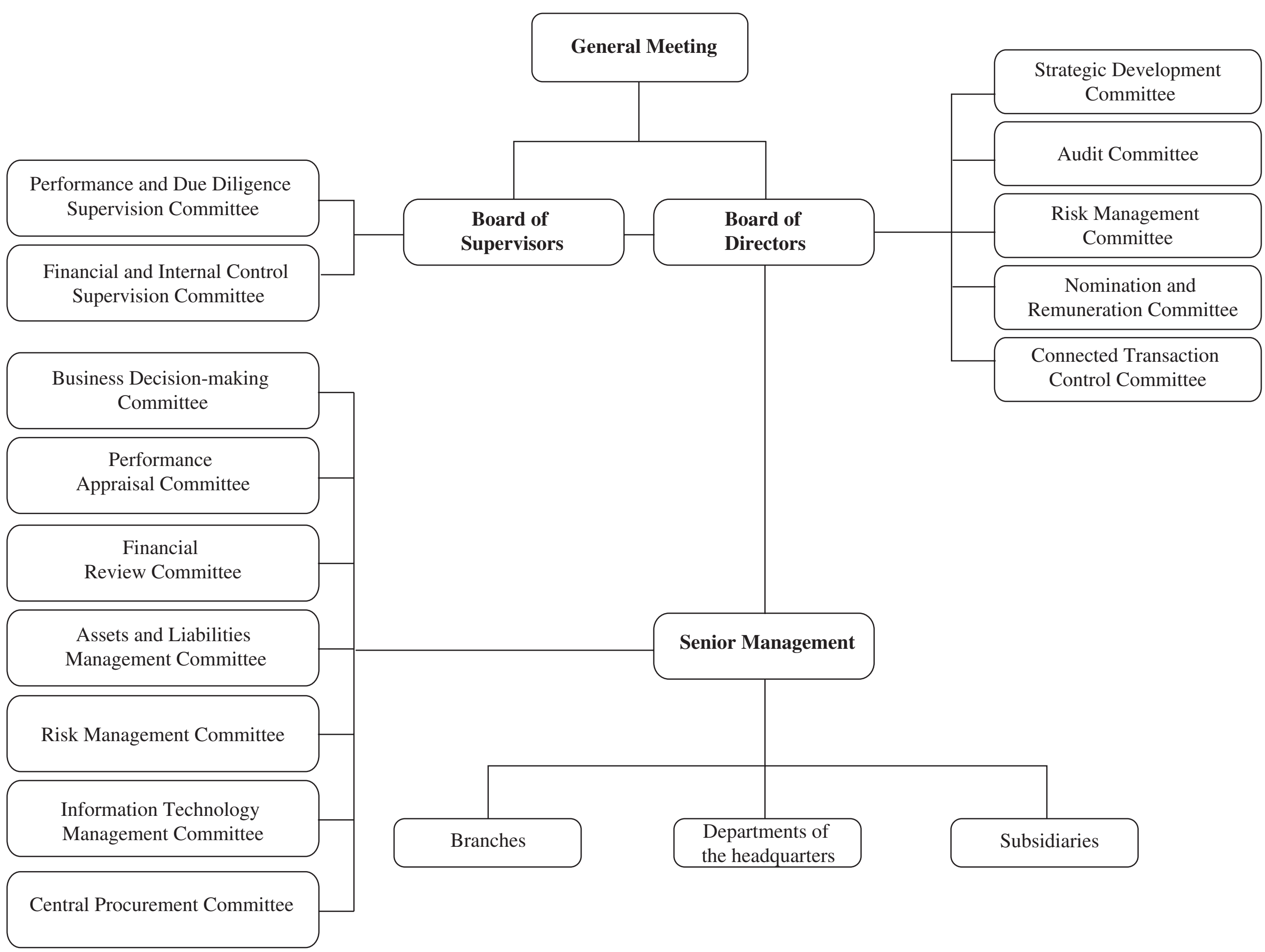
During the Reporting Period, save as the disclosure of being unable to comply with the requirement under Rule 3.10A of the Hong Kong Listing Rules in relation to the number of independent non-executive directors for some periods in the section of "Composition and Responsibilities of the Board" of this report, the Company has fully complied with the code provisions and adopted most of the recommended best practices set out in the Corporate Governance Code (the "**CG Code**") under Appendix C1 to the Hong Kong Listing Rules.

Corporate Governance Functions

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

8.1.2 Corporate Governance Structure

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



Note:

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

8.1.3 Amendments to the Articles

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

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

8.2 General Meeting

8.2.1 Responsibilities of General Meeting

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

8.2.2 Details of General Meetings

During the Reporting Period, the Company held three general meetings in Beijing, including one annual general meeting and two extraordinary general meetings, at which a total of 14 resolutions were considered and approved and three work reports were reviewed. The Company strictly complied with the legal procedures applicable to general meetings to ensure that shareholders were able to attend the meetings and exercise their rights. Shareholders voted at the general meetings by poll according to the Hong Kong Listing Rules, and they were fully informed of the voting procedures by poll. The Company engaged legal counsels to attend and attest general meetings and to issue legal opinions. Major resolutions considered and approved at the general meetings include:

- the capital increase in Cinda Investment;
- the external donation plan for 2023;
- the final financial account plan for 2022;
- the profit distribution plan for 2022;
- the budget of investment in capital expenditure for 2023;
- the appointment of accounting firms for 2023;
- the work report of the Board for 2022;
- the report of the Board of Supervisors for 2022;
- the election of Directors;
- the remuneration settlement scheme for Directors for 2021;
- the remuneration settlement scheme for Supervisors for 2021;
- the purchase of liability insurance for Directors, Supervisors and Senior Management.

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

8.2.3 Shareholders' Rights

Right to propose to convene extraordinary general meetings

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

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

Right to propose resolutions to general meetings

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

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

Right to propose to convene extraordinary board meetings

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

Right to propose resolutions to board meetings

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

Right to raise proposals and enquiries

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

Other rights

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

8.2.4 Attendance of Directors at General Meetings

Attendance of Directors at general meetings during the Reporting Period

Members of the Board	Number of meetings attended/ required to attend	Attendance rate
Executive Directors		
Zhang Weidong	2/3	67%
Liang Qiang	3/3	100%
Zhao Limin	1/3	33%
Non-executive Directors		
Wang Shaoshuang	3/3	100%
Chen Xiaowu	3/3	100%
Zhang Yuxiang	3/3	100%
Independent Non-executive Directors		
Lu Zhengfei	3/3	100%
Lam Chi Kuen	3/3	100%
Wang Changyun	3/3	100%
Sun Maosong	2/3	67%
Shi Cuijun	1/2	50%
Directors Resigned during the Reporting Period		
He Jieping	2/2	100%
Tang Jiang	1/1	100%
Liu Chong	3/3	100%

Notes:

1. Attendance includes on-site attendance and attendance through electronic means such as telephone or video conference.

2. Attendance rate is the number of meetings attended by Directors in person as a percentage of the total number of meetings required to attend.

3. Mr. Zhang Weidong, Mr. Sun Maosong and Ms. Shi Cuijun were absent from the 2023 second extraordinary general meeting due to important temporary work arrangements; Mr. Zhao Limin was absent from the 2023 first extraordinary general meeting and the 2023 second extraordinary general meeting due to important temporary work arrangements.

8.2.5 Independence from Controlling Shareholder

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

8.3 Board

8.3.1 Composition and Responsibilities of the Board

As of the Latest Practicable Date, the Board has 10 members, including three executive Directors, namely Mr. Zhang Weidong (Chairman), Mr. Liang Qiang and Mr. Zhao Limin, two non-executive Directors, namely Mr. Wang Shaoshuang and Mr. Chen Xiaowu and five independent non-executive Directors, namely Mr. Lu Zhengfei, Mr. Lam Chi Kuen, Mr. Wang Changyun, Mr. Sun Maosong and Ms. Shi Cuijun.

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

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

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

8.3.2 Diversity of Members of the Board

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

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

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

8.3.3 Board Meetings

During the Reporting Period, the Board held nine meetings, including four regular meetings and five extraordinary meetings, at which 47 resolutions were passed and 21 work reports were reviewed. Before the meetings, Directors had been appropriately provided with notice and information necessary for making an informed decision in time. Among the resolutions passed, there were 18 resolutions on operational and management matters, nine resolutions on work reports, seven resolutions on transactions, four resolutions on the nomination of candidates, three resolutions on remuneration and insurance matters and six resolutions on other matters. The major matters were as follows:

- the final financial account plan and the profit distribution plan for 2022;
- the annual consolidated operation plan of the Group for 2023, the budget of investment in capital expenditure for 2023 and the external donation plan for 2023;
- the 2022 annual report (annual results announcement) and the 2023 interim report (interim results announcement);
- the capital increase in Cinda Investment;
- the work report of the Board, risk management report, internal control evaluation report, work report on compliance management and social responsibility report for 2022;
- the internal audit work plan for 2023, the internal audit work plan for 2024;
- the risk appetite statement, the risk management policies and the risk limit management plan for 2023;
- the appointment of accounting firms for 2023;
- the nomination of candidates for Directors and the election of members of special committees of the Board;
- reviewing the reports on the implementation of proposals passed at previous Board meetings and identification of related parties of the Company.

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

8.3.4 Directors' Attendance at Board Meetings

Directors' attendance at board meetings during the Reporting Period

Members of the Board	Number of meetings attended/ required to attend	Attendance rate
Executive Directors		
Zhang Weidong	9/9	100%
Liang Qiang	8/9	89%
Zhao Limin	8/9	89%
Non-executive Directors		
Wang Shaoshuang	9/9	100%
Chen Xiaowu	9/9	100%
Zhang Yuxiang	9/9	100%
Independent Non-executive Directors		
Lu Zhengfei	8/9	89%
Lam Chi Kuen	9/9	100%
Wang Changyun	8/9	89%
Sun Maosong	8/9	89%
Shi Cuijun	5/5	100%
Directors Resigned during the Reporting Period		
He Jieping	6/6	100%
Tang Jiang	3/3	100%
Liu Chong	7/8	88%

Notes:

1. Attendance includes on-site attendance and attendance through electronic means such as telephone or video conference.

2. Attendance rate is the number of meetings attended by Directors in person as a percentage of the total number of meetings required to attend.

3. A Director who was unable to attend the meetings in person has appointed another Director as the proxy to vote on his behalf.

8.4 Special Committees of the Board

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

8.4.1 Strategic Development Committee

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

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

During the Reporting Period, the Strategic Development Committee held five meetings to consider 15 resolutions, mainly including the final financial account plan for 2022, the annual consolidated operation plan of the Group for 2023, the budget of investment in capital expenditure for 2023, the Group consolidated management report for 2022, and debriefed on three reports including the 2022 corporate governance report.

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

Members	**Number of meetings attended/ required to attend**	**Attendance rate**
Zhang Weidong	5/5	100%
Liang Qiang	5/5	100%
Wang Shaoshuang	5/5	100%
Chen Xiaowu	5/5	100%
Zhang Yuxiang	5/5	100%
Lam Chi Kuen	5/5	100%
Sun Maosong	4/5	80%
Shi Cuijun	1/1	100%
Members Resigned during the Reporting Period		
He Jieping	4/4	100%
Tang Jiang	2/2	100%
Liu Chong	5/5	100%

Notes:

1. Attendance includes on-site attendance and attendance through electronic means such as telephone or video conference.

2. Attendance rate is the number of meetings attended by members in person as a percentage of the total number of meetings required to attend.

3. A member who was unable to attend the meetings in person has appointed another member as the proxy to vote on his behalf.

8.4.2 Audit Committee

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

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

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

During the Reporting Period, the Audit Committee held eight meetings to review 11 resolutions mainly including the 2022 annual report (annual results announcement), the internal control evaluation report for 2022, the risk management report for 2022, the internal audit work plan for 2023, the internal audit work plan for 2024, the appointment of accounting firms for 2023, the 2023 interim report (interim results announcement), and debriefed on 12 reports including the report on internal audit work for 2022, report of the accounting firms on the Company's 2022 management recommendations, 2023 interim financial statements review plan, and 2023 financial statements audit plan.

On March 25, 2024, the Audit Committee held a meeting to resolve the submission of the 2023 annual report (annual results announcement) to the Board for review. The Audit Committee together with the Board and the external auditing firms jointly reviewed the accounting standards and practice adopted by the Group and the audited Consolidated Financial Statements for the year ended December 31, 2023.

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

Members' attendance at Audit Committee meetings during the Reporting Period

Members	**Number of meetings attended/ required to attend**	**Attendance rate**
Lu Zhengfei	8/8	100%
Lam Chi Kuen	8/8	100%
Wang Changyun	8/8	100%
Shi Cuijun	5/5	100%
Members Resigned during the Reporting Period		
He Jieping	5/5	100%
Tang Jiang	1/1	100%

Notes:

1. Attendance includes on-site attendance and attendance through electronic means such as telephone or video conference.

2. Attendance rate is the number of meetings attended by members in person as a percentage of the total number of meetings required to attend.

8.4.3 Risk Management Committee

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

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

During the Reporting Period, the Risk Management Committee held six meetings to review 11 resolutions, mainly including the 2022 risk management report, the internal control evaluation report for 2022, the Risk Appetite Statement of the Group (2023), the risk management policy of the Group for 2023, the recovery plan of the Company (2023), the proposal on the disposal plan of the Company (2023) and debriefed on eight reports including the quarterly risk management reports and the anti-money laundering work report for 2022.

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

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

Members	**Number of meetings attended/ required to attend**	**Attendance rate**
Wang Shaoshuang	6/6	100%
Zhao Limin	6/6	100%
Lu Zhengfei	6/6	100%
Sun Maosong	5/6	83%
Member Resigned during the Reporting Period		
He Jieping	3/3	100%

Notes:

1. Attendance includes on-site attendance and attendance through electronic means such as telephone or video conference.

2. Attendance rate is the number of meetings attended by members in person as a percentage of the total number of meetings required to attend.

3. A member who was unable to attend the meetings in person has appointed another member as the proxy to vote on his behalf.

8.4.4 Nomination and Remuneration Committee

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

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

During the Reporting Period, the Nomination and Remuneration Committee held five meetings to consider eight resolutions, mainly including the nomination of candidates for the Directors, the nomination of members for special committees of the Board, and purchase of liability insurance for Directors, Supervisors and Senior Management, discussed the structure and composition of the Board as well as the performance of Directors and the independence of independent non-executive Directors.

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

Members	Number of meetings attended/ required to attend	Attendance rate
Sun Maosong	5/5	100%
Chen Xiaowu	5/5	100%
Wang Changyun	5/5	100%
Shi Cuijun	1/2	50%

Notes:

1. Attendance includes on-site attendance and attendance through electronic means such as telephone or video conference.

2. Attendance rate is the number of meetings attended by members in person as a percentage of the total number of meetings required to attend.

3. A member who was unable to attend the meetings in person has appointed another member as the proxy to vote on his behalf.

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

1. Candidates for Directors shall be nominated through the proposal with their detailed information including factors such as:

    - personal particulars such as educational background, working experience and any concurrently holding position;

    - whether there are any related relationships with the Company or the controlling shareholder and de facto controller of the Company;

    - their shareholdings in the Company; and

    - any penalty or punishment imposed by the securities regulatory authorities of the State Council, and other relevant authorities and/or the stock exchanges.

2. A candidate for Director shall, prior to the convening of the general meeting, give a written undertaking letter stating that he/she has agreed to accept the nomination and that the personal information as publicly disclosed is true and complete, and warrant that he/she will duly perform his/her duties as a Director after he/she is elected. A written notice of the intention to nominate a candidate for Director and the willingness of the candidate to be elected as well as the written documents of the basic information of the candidate shall be given to the Company not less than ten days prior to the date of the general meeting;

3. The Company shall disclose the detailed information on the candidates of Directors to shareholders at least seven days before convening the general meeting to ensure that shareholders will have an adequate understanding of the candidates when they cast their votes;

4. The length of the period (starting from the next day after publishing the notice for convening a general meeting), during which the nominators and the candidates of Directors are allowed to submit the aforesaid notice and documents, shall be at least seven days;

5. The general meeting shall consider and vote on the election of each candidate for Director by way of a separate resolution; and

6. A candidate for Director shall act as a Director upon approval at the general meeting and his/her qualification approved by the regulatory authorities.

8.4.5 Connected Transaction Control Committee

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

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

During the Reporting Period, the Connected Transaction Control Committee held nine meetings to consider 12 resolutions that included material related party transactions, matters relating to the identification of related parties of the Company and the related party transactions management report for 2022, and to debrief on five reports including the quarterly reports on related party transactions.

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

Members	Number of meetings attended/ required to attend	Attendance rate
Wang Changyun	9/9	100%
Zhang Yuxiang	9/9	100%
Lu Zhengfei	8/9	89%
Lam Chi Kuen	9/9	100%

Notes:

1. Attendance includes on-site attendance and attendance through electronic means such as telephone or video conferences.

2. Attendance rate is the number of meetings attended by members in person as a percentage of the total number of meetings required to attend.

3. A member who was unable to attend the meeting has appointed another member to attend and vote on his behalf.

8.5 Board of Supervisors

8.5.1 Duties of the Board of Supervisors

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

8.5.2 Composition of Board of Supervisors

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

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

8.5.3 Meetings of the Board of Supervisors

In 2023, the Board of Supervisors held four meetings and approved 10 resolutions, including the 2021 remuneration settlement scheme for Supervisors, the Focus of the Performance Supervision of the Directors, Supervisors and Senior Management for 2023, the legal compliance for 2022, the final financial account plan for 2022, the profit distribution plan for 2022, the internal control evaluation report for 2022, the report on the performance of Directors, Supervisors and Senior Management for 2022, the report of the Board of Supervisors for 2022, the 2022 annual report (annual results announcement, the 2023 interim report (interim results announcement)).

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

Members of Supervisors	Number of meetings attended/ required to attend	Attendance rate
Zhen Qinggui	4/4	100%
Liu Li	4/4	100%
Cai Xiaoqiang	4/4	100%
Gong Hongbing	4/4	100%
Lu Baoxing	4/4	100%
Yuan Liangming	4/4	100%
Zhou Lihua	4/4	100%

Notes:

1. Attendance includes on-site attendance and attendance through electronic means such as telephone or video conference.

2. Attendance rate is the number of meetings attended by of Supervisors in person as a percentage of the total number of meetings required to attend.

8.5.4 Special Committees of the Board of Supervisors

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

Performance and Due Diligence Supervision Committee

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

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

During the Reporting Period, the Performance and Due Diligence Supervision Committee held two meetings and reviewed the following matters, including the remuneration settlement scheme for Supervisors for 2021, the Focus of the Performance Supervision of the Directors, Supervisors and Senior Management for 2023, the review proposal on the implementation of the performance remuneration and business expenditure budget of the person in charge for 2022, and report on the performance of Directors, Supervisors and Senior Management for 2022.

Financial and Internal Control Supervision Committee

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

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

During the Reporting Period, the Financial and Internal Control Supervision Committee held six meetings to review the following matters, including the final financial account plan for 2022, the internal control evaluation report for 2022, the 2022 annual report (annual results announcement) and the 2023 interim report (interim results announcement) of the Company.

8.6 Chairman and President

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

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

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

8.7 Senior Management

8.7.1 Composition and Duties of Senior Management

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

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

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

In accordance with the regulations such as Measures on the Performance Supervision of the Board of Supervisors and the Focus of the Performance Supervision of the Directors, Supervisors and Senior Management for 2023, the Board of Supervisors conducted supervision over the performance of the Board, Senior Management and their members through attending the general meetings, presenting at the Board meetings, meetings of its special committees and the meetings of Senior Management, examining the minutes and records of the meetings, and performance reports of Director and Senior Management, and also through daily supervision arrangements.

8.7.3 Remuneration of Directors and Senior Management

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

For the remuneration of Senior Management by band, please refer to Note VI. 20 "Key management personnel and five highest paid individuals" to the Consolidated Financial Statements.

8.8 Risk Management

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

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

8.9 Internal Control

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

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

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

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

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

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

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

During the Reporting Period, the Company continued to strengthen the quality and efficiency of management in key areas of internal control, and promoted the continuous improvement of the Company's internal control system.

The Company continued to improve the top-level design of the system, comprehensively carried out system re-inspection, strictly benchmarked against regulatory requirements and combined with actual management, improved more than 80 systems throughout the year, involving risk management, financial capital, information technology, asset evaluation and other fields, continued to strengthen the compliance and operability of the internal control system, revised and improved the Measures for System Management, and improved the standardisation of the whole process management of the Company's system. The Company promoted the continuous deepening of employee behaviour management, strengthened the investigation of key business behaviours, and timely identified and eliminated potential risks.

According to the Guidelines for the Evaluation of Internal Control of Enterprises, the CG Code, the Guidelines for Internal Control of Commercial Banks and the Notice on Further Improving the Effectiveness of Internal Control over Financial Reporting of Listed Companies (Cai Kuai [2022] No. 8) issued by MOF and the internal control system of the Company, the Company worked out the Implementation Plan for Internal Control Evaluation for 2023. The scope of internal control evaluation in 2023 incorporated the main business lines, and high-risk areas of each department of the headquarters, branches, subsidiaries and their subordinate units. The Company identified defects in internal control, actively implemented the rectification, and optimized the establishment and implementation of internal control, by organizing and conducting the comprehensive self-assessment, on-site (off-site) tests and inspection of key aspects.

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

The Company had appointed PricewaterhouseCoopers Zhong Tian LLP to conduct an audit on the internal control of the Company. The audit opinions of the internal control were consistent with the evaluation results of the effectiveness of the internal control of the Company.

8.10 Internal Audit

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

In 2023, the Company continuously explored and innovated the forms of organization and working methods of internal audits, and fully completed the annual internal audit as scheduled. In accordance with the regulatory requirements and adhering to a risk-oriented approach, with serving the development of the Company as core, the Company aimed to promote the establishment of a sound and effective risk management mechanism, internal control system and corporate governance procedures, and fully leverage the supervisory, appraisal and advisory functions of internal audit.

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

Carrying out special audits. In accordance with the regulatory requirements, the Company, with the goal of strengthening the construction of risk prevention and control and compliance, centering on the major and difficult points in its operation and management, completed the special audits of the settlement of the institution of the subsidiaries, credit investigation management and management of the Group's related party transactions.

Carrying out economic responsibility audits. Strengthening the supervision of the performance of cadres continuously, performing the audit for the economic responsibilities of major cadres and the audit of relevant outgoing officials of the Company.

Further improving internal audit system. In accordance with regulatory requirements and the realities of the Company, the Company further strengthened the centralized management of internal audit and completed the addition and revision of the internal audit system in time, improved the management and operation mechanism of the audit talent pool, enhanced the training of its internal auditors, optimized the functions of audit management information systems, and continuously improved the quality and efficiency of the audit work

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

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

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

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

8.13 Communication with Shareholders

8.13.1 Shareholders' Communication Policy

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

During the Reporting Period, the Company has reviewed the implementation of the shareholders' communication policies and related work such as information disclosure and investor relations, and considered such policies effective and adequate. The Company actively practiced social responsibility by gradually increasing the proportion of paperless communications, off-site meetings and other environmentally friendly means of shareholder communication to advance its goals of green financial development.

8.13.2 Information Disclosure and Investor Relations

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

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

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

During the Reporting Period, the Company completed the preparation and disclosure of regular reports as scheduled, optimized the presentation of its business, added and revised certain disclosures, and carried out the disclosure of extraordinary reports in a timely and compliance manner. As 2023 marked the 10th anniversary of the Company's listing, the Company organized the 2023 Investor Day in Hangzhou and investor on-site research activities in Henan, Guangdong, Guizhou and other places to provide an in-depth introduction of the Company's business model, development strategy and typical cases of its core business of distressed assets through site visits and face-to-face discussions. The Company also held a symposium in Beijing for the 10th anniversary of listing, inviting representatives of shareholders, market institutions and investors to review the development history of the Company since its listing and looked forward to the future path of high-quality development. Furthermore, the Company proactively communicated with the market by various forms of investor communication activities, such as holding on-site results releases and global analyst teleconferences and participating in online and offline summits.

8.13.3 Contacts of Board of Directors' Office

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

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

8.14 Remuneration of the Accounting Firms

As approved by the 2022 annual general meeting, the Company had appointed PricewaterhouseCoopers Zhong Tian LLP and PricewaterhouseCoopers (collectively "**PricewaterhouseCoopers**") as its domestic and international accounting firms for 2023, respectively, to provide audit service of the annual financial statements, review of the interim financial statements, and audit of internal control as well as other professional services for the Company for the year of 2023. During the Reporting Period, the audit fee incurred with respect to the audit of financial statements and audit of internal control provided by PricewaterhouseCoopers and its member firms amounted to a total of RMB32.53 million. The related fees incurred in respect of other verification services provided by PricewaterhouseCoopers and its member firms amounted to a total of RMB1.65 million. In 2023, the fees incurred with respect to tax and consulting services provided by PricewaterhouseCoopers and its member firms amounted to a total of RMB4.08 million. There are no non-audit services provided by PricewaterhouseCoopers and its member firms to the Group other than those mentioned above.

8.15 Responsibilities of Directors in respect of Financial Statements

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

8.16 Securities Transactions by Directors, Supervisors and Senior Management

The Company has formulated the Code for Securities Transactions by Directors, Supervisors and Senior Management which regulates securities transactions by Directors, Supervisors and Senior Management and is not less lenient than the Model Code for Securities Transactions by Directors of Listed Issuers specified in Appendix C3 to the Hong Kong Listing Rules. The Company has made enquiries to all Directors and Supervisors who confirmed that they had complied with such code and the requirements set out there during the Reporting Period.

8.17 Relationship between Directors, Supervisors and Senior Management

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

8.18 The Independence of Independent Non-executive Directors

The Company established a mechanism to ensure that the Board can obtain independent views and opinions, fully protected the information rights of all Directors and provided assistance to Directors in obtaining external professional advice. The implementation and effectiveness of such mechanism was reviewed by the Board on an annual basis. The Company continued to provide the necessary working conditions for the independent non-executive Directors to better perform their duties. In 2023, the independent non-executive Directors put forward professional and feasible opinions and suggestions for the Company's strategic planning, corporate governance, risk management, internal control and compliance, related party transaction management, internal and external audits, and Digital Cinda construction. At the same time, independent opinions were expressed on major issues such as profit distribution plan, major related party transactions, nomination of candidates for Directors and appointment of the accounting firms, in which way the independent non-executive Directors played a leading and promoting role in the standardized and scientific operation and the optimization and upgrading of the decision-making mechanism of the Board, as well as the long-term stable development of the Company.

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

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

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

8.19 Training for Directors

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

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

8.20 Company Secretary

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

9 REPORT OF THE BOARD OF DIRECTORS

9.1 Principal Business

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

9.2 Profit and Dividend Distribution

The profit and financial condition of the Group for the year ended December 31, 2023 are set out in the section headed "Management Discussion and Analysis" – "Analysis of Financial Statements" in this report.

Having considered the long-term development requirement and the interests of investors of the Company, the Board proposed to distribute cash dividends for 2023 in the amount of RMB0.4576 per 10 shares (tax inclusive) to holders of Domestic Shares and H Shares whose names appear on the register of members on the record date, representing total cash dividends of approximately RMB1.746 billion on the basis of 38,164,535,147 Domestic Shares and H Shares in issue on December 31, 2023.

The profit distribution plan for 2023 of the Company shall be subject to approval by the annual general meeting for 2023. Subject to the approval, the cash dividend for 2023 is expected to be distributed on or around August 16, 2024 to the holders of Domestic Shares and H Shares whose names appear on the register of members of the Company on the record date for dividend distribution. The cash dividend will be denominated and declared in Renminbi and will be paid in Renminbi to holders of Domestic Shares and in Hong Kong dollars to holders of H Shares. The amount of Hong Kong dollar will be calculated on the basis of the average basic exchange rate between Renminbi and Hong Kong dollar quoted by PBOC one week prior to the date of the annual general meeting for 2023 (including the date of the meeting).

The Company will announce the date of the annual general meeting for 2023 and the period of closure of register of members of the Company for the determination of the entitlement of shareholders to attend the annual general meeting for 2023 and to vote thereon and the period of closure of registered of members of the Company to determine the entitlement of shareholders for 2023 cash dividends in due course.

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

For individual holders of H Shares, pursuant to the Individual Income Tax Law of the People's Republic of China, the Implementation Regulations of the Individual Income Tax Law of the People's Republic of China, other laws and regulations and relevant regulatory documents promulgated by the State Administration of Taxation of the PRC, the Company shall, as a withholding agent, withhold and pay individual income tax at the rate of 10% for the individual holders of H Shares in respect of the dividend for 2023 to be distributed to them. The individual holders of H Shares may be entitled to certain tax preferential treatments pursuant to the tax treaties between the PRC and the countries (regions) in which the individual holders of H Shares are domiciled and the tax arrangements between mainland China, Hong Kong or Macao.

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

China Securities Depository and Clearing Corporation Limited is the nominee of the Company's H Shares held by investors of H Shares of Southbound Trading, and the Company will then re-distribute the 2023 cash dividends to the relevant investors of H Shares of Southbound Trading through its depository and clearing system. Pursuant to the relevant requirements of the Notice on the Tax Policies Related to the Pilot Program of the Shanghai-Hong Kong Stock Connect (Cai Shui [2014] No. 81) and the Notice on the Tax Policies Related to the Pilot Program of the Shenzhen-Hong Kong Stock Connect (Cai Shui [2016] No. 127), the Company shall withhold and pay individual income tax at the rate of 20% on behalf of domestic individual investors. For domestic securities investment funds, the tax payable shall be the same as that for individual investors. The Company will not withhold and pay the income tax of dividends for domestic enterprise investors which shall report and pay the relevant tax themselves. The record date and the date of distribution of cash dividends and other arrangements for the investors of Southbound Trading will be the same as those for the holders of H Shares of the Company.

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

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

9.3 Distributable Reserves

Details of distributable reserves of the Group for the year ended December 31, 2023 are set out in the Consolidated Statement of Financial Position in the Consolidated Financial Statements.

9.4 Financial Summary

The operating results and summary of assets and liabilities of the Group for the year ended December 31, 2023 are set out in the "Financial Summary" in this report.

9.5 Donations

Donations made by the Group for the year ended December 31, 2023 amounted to RMB27.76 million.

9.6 Property and Equipment

None of the percentage ratios (as defined under Rule 14.04(9) of the Hong Kong Listing Rules) of the properties held by the Group exceeds 5%. Details in relation to the changes in property and equipment of the Group for the year ended December 31, 2023 are set out in Note VI. 40 "Property and equipment" to the Consolidated Financial Statements.

9.7 Pension Plan

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

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

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

9.8 Major Clients and Suppliers

During the Reporting Period, the combined revenue from the top five clients of the Company did not exceed 30% of its total revenue for 2023. Due to the nature of the Company's business, the Company had no major suppliers. There are no clients, suppliers, employees or others who have a significant impact on the Group and on which the Group's success depends.

9.9 Share Capital and Public Float

As at December 31, 2023, the Company had a total of 38,164,535,147 shares in issue. Please see "Changes in Share Capital and Information on Substantial Shareholders" in this report for details. As at the Latest Practicable Date, based on the information available to the Company, the public float of the Company was not lower than 25% and in compliance with the relevant laws and regulations and the requirement of the Hong Kong Listing Rules.

9.10 Pre-emptive Right

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

9.11 Purchase, Sale and Redemption of Listed Securities

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

9.12 Equity-linked Agreement

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

During the Reporting Period, the Company did not enter into any equity-linked agreement. As at December 31, 2023, the Company did not have any other such agreement subsisted.

9.13 Issuance of Securities

9.13.1 Issuance of Securities of the Company

During the Reporting Period, the issuance of bonds of the Company is set out in Note VI. 55 "Bonds payable" to the Consolidated Financial Statements.

9.13.2 Issuance of Securities of Subsidiaries

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

During the Reporting Period, the issuance of bonds of the subsidiaries of the Company are set out in Note VI. 55 "Bonds issued" to the Consolidated Financial Statements.

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

9.14 Material Interests and Short Positions

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

9.15 Use of Proceeds

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

9.16 Borrowings

The borrowings of the Group as at December 31, 2023 amounted to approximately RMB558.87 billion. Details of the borrowings are set out in Note VI. 50 "Borrowings" to the Consolidated Financial Statements.

9.17 Directors, Supervisors and Senior Management

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

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

As at December 31, 2023, none of the Directors, Supervisors or Chief Executive Officer had any interests or short positions in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Hong Kong SFO), which was required to be recorded in the register kept by the Company pursuant to Section 352 of the Hong Kong SFO or otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to Appendix C3 Model Code for Securities Transactions by Directors of Listed Issuers to the Hong Kong Listing Rules.

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

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

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

9.20 Interests of Directors in Business Competing with the Company

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

9.21 Material Contracts with Controlling Shareholders

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

9.22 Management Contracts

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

9.23 Remuneration Policy of Directors, Supervisors and Senior Management

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

9.24 Indemnity for Directors, Supervisors and Senior Management

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

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

9.25 Connected Transactions

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

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

During the Reporting Period, the Company has complied with the disclosure requirements set out in Chapter 14A of the Hong Kong Listing Rules. Saved for those disclosed above, the Company did not conduct any connected transaction or continuing connected transaction required to be reported, announced or approved by independent shareholders under Chapter 14A "Connected Transactions" of the Hong Kong Listing Rules. Details of related party transactions as defined under the IFRS Accounting Standards are set out in Note VI. 70 "Related party transactions" to the Consolidated Financial Statements, which do not constitute the connected transaction or continuing connected transaction under Chapter 14A of the Hong Kong Listing Rules.

9.26 Social Responsibility

Thoroughly implementing new development concept, adhering to the mission of "providing excellent service for customers, creating best return for shareholders, building a development platform for employees, resolving financial risks for the country, and assuming greater responsibility for the society", the Company deepened the shouldering of social responsibilities in preventing and defusing risks, serving the real economy, caring for the growth of employees, developing green finance, supporting rural revitalization. Great results have been achieved. In 2023, the Company was honored with several awards, including the "China's Top 500 Listed Company in Philanthropy" by the China Enterprises Philanthropy Forum, the "Annual Case in Social Responsibility" by China Finance Brand Case Competition, the "Jinnuo•China Financial Annual Excellent Social Responsibility Project" of the China Banking and Insurance News.

The Company regards its employees as the source of motivation to achieve better development. The Company effectively safeguarded the legitimate rights and interests of its employees, cared for the physical and mental health of its employees, protected the occupational safety of its employees, improved the business capacity of its employees, built a broad development platform for its employees, and worked together with its employees for common growth. The Company adhered to the customer-centred approach, protected the rights and interests of customers, improved its service capability, promoted the construction of strategic customer groups and ecosystems for distressed assets, and created value together with customers.

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

Detailed information on the Company's performance in implementing social responsibility and the environmental, social and governance requirements of the Hong Kong Stock Exchange is set out in the 2023 Corporate Social Responsibility of China Cinda (to be disclosed separately).

9.27 Compliance with Relevant Laws and Regulations

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

9.28 Accounting Firms

The financial reports of the Company for 2023 prepared under the IFRS Accounting Standards and PRC GAAP have been audited by PricewaterhouseCoopers and PricewaterhouseCoopers Zhong Tian LLP, respectively.

9.29 Statement for Changes of the Accounting Firms in the Past Three Years

According to the relevant provisions of the "Notice on Administrative Measures for State-owned Financial Enterprises to Select and Appoint Accounting Firms (Cai Jin [2020] No. 6)" issued by MOF, the term of appointment of the same accounting firm by a state-owned financial enterprise shall not exceed eight years. The terms of service of the Company's former accountants, Ernst & Young Hua Ming LLP and Ernst & Young, have reached the period stipulated in the aforesaid regulations.

Upon the consideration and approval at the 2023 fifth meeting of the Board and the 2022 annual general meeting, the Company has engaged PricewaterhouseCoopers Zhong Tian LLP and PricewaterhouseCoopers (collectively "**PricewaterhouseCoopers**") as its domestic and international accounting firms for 2023, respectively, to provide the audit of the annual financial statements, review of the interim financial statements, audit of internal control and other relevant services to the Company for 2023. 2023 was the first year for PricewaterhouseCoopers to provide audit services for the Company.

By Order of the Board
ZHANG Weidong
Chairman

March 26, 2024

10 REPORT OF THE BOARD OF SUPERVISORS

In 2023, the Board of Supervisors followed the guidance of Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era, insisted on the political and people-oriented nature of financial work, focused on the main responsibilities and core business, prevented and defused financial risks, and supported real economy development. The Board of Supervisors, in accordance with the laws, regulations and the Articles, promoted the deepening of the inspection and rectification, and vigorously carried out investigations and researches, conscientiously performed its supervisory duties, put forward opinions and suggestions and promoted their implementation. All these efforts have led to the in-depth integration between Party construction and corporate governance, and ensured the compliant operation of the Company.

10.1 Major Work Completed

Convene the meetings in accordance with the law. The Board of Supervisors held four meetings in 2023, and considered 10 resolutions, including the Company's regular reports, internal control evaluation report and performance evaluation reports. The Performance and Due Diligence Supervision Committee held two meetings and the Finance and Internal Control Supervision Committee held six meetings. Two special meetings were also held. The Board of Supervisors focused such priorities as the implementation of major national decisions and arrangements, prevention and mitigation of major risks, efforts in the inspection and rectification, concerned with the Company's strategy implementation, operation and development, challenges and measures, and put forward opinions and suggestions. Supervisors performed their duties faithfully and diligently and provided independent opinions on the compliance operation, financial report, duty performance of relevant parties, and internal control of the Company for 2023 in accordance with the relevant laws and regulations.

Deepen the supervision over due diligence. Supervisors earnestly attended general meetings, actively participated in important work meetings such as the meetings of the Board and its special committees, the Company's working meetings, operational work scheduling meetings and regulatory agency's latest requirements briefings to deeply perform the due diligence supervision continuously. The Board of Supervisors formulated the Key Contents of Performing the Due Diligence Supervision of the Board of Supervisors in 2023, outlined clear requirements on the implementation of the plans and policies of the CPC Central Committee and the State Council, as well as the decisions and deployments of the Party Committee of the NFRA, specified major focus on the due diligence supervision, and promoted the integration of the Party leadership into the Company's corporate governance. The annual performance evaluation report on the Board, the Board of Supervisors, the Senior Management and their members was completed and reported to the regulatory authorities as required.

Perform financial supervision. The Board of Supervisors earnestly performed the duty of financial reporting supervision, maintained routine communication with the auditor, and expressed independent opinions in accordance with the relevant laws and regulations. Taking into account the opinions, the Board of Supervisors provided suggestions on ensuring liquidity security, strengthening capital adequacy management, enhancing financial discipline and improving the quality of accounting information. The Board of Supervisors formed an investigation and research report on the operation and financial situation of subsidiaries with specific recommendations including to emphasis on governance mechanisms, enhance financial control, and promote the "Digital Cinda" strategy, and actively promoted their implementation. The Board of Supervisors also conducted a study on the latest regulatory requirements, and proposed measures and suggestions to advance the implementation of the "Opinions on Further Strengthening the Supervision of Finance and Accounting".

Boost internal control supervision. Being concerned about the improvement of the internal control and compliance system, the Board of Supervisors regularly briefed to reports on the progress of rectification of internal and external regulatory inspections, audit findings and disclosed problems. The Board of Supervisors developed an investigation and research report on boosting the Company's post-investment management, discussing the issues raised by internal and external inspections and case reflections, analysing the causes of identified problems from the system and mechanism construction perspective, and proposed suggestions included leveraging the respective strengths of business lines and management departments at the headquarters, enhancing management responsibilities of operating units, improving the post-investment management, supervision and evaluation mechanism. The Board of Supervisors continued to follow up on the implementation of these suggestions, and achieved phased progress.

Strengthen risk supervision. The Board of Supervisors intensified their focus on asset quality and strengthened risk management supervision, continuously monitoring the management status of compliance risk, credit risk, concentration risk, liquidity risk and reputational risk. By reviewing the Company's report on asset quality, risk resolution, compliance management, and audit findings in 2023, the Board of Supervisors took consideration of the challenges and problems faced by the Company such as asset quality pressure, endogenous non-performing assets resolution and rectification of inspection and audit issues, and proposed relevant opinions and suggestions to collectively address such key issues. The Board of Supervisors have intensified supervision of major risk items generated since 2020, prioritized the implementation of post-investment management for projects and project risks, while actively addressing related opinions.

Improve the effectiveness of supervision. The Board of Supervisors have endeavored to enhance communication with the Board and the management, provided regular updates on the work by the Board of Supervisors to the relevant authorities. Emphasis has been placed on transforming supervisory priorities into supervisory work priorities and effectively implementing supervisory requirements. The Board of Supervisors was committed to refining the supervisory work mechanism and deepening the implementation of inspection and rectification measures. Proactive efforts have been made to foster exchanges and training aimed at enhancing professional performance. Additionally, the Board of Supervisors have maintained regular communication with peers, drawing inspiration from their advanced practices in supervision. These ongoing initiatives sought to boost the implementation of recommendations by the Board of Supervisors, further advanced the transformation of supervisory accomplishments and ensured the efficiency of supervision.

10.2 Independent Opinions on Relevant Matters

Lawful operation

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

Financial reports

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

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

The results of the performance evaluation of all Directors, Supervisors and Senior Management for 2023 were competent.

Internal control

During the Reporting Period, the Company continued to improve internal control and the Board of Supervisors had no disagreement with the evaluation opinions on internal control of the Company for 2023.

Board of Supervisors

March 26, 2024

11 SIGNIFICANT EVENTS

11.1 Material Litigation and Arbitration

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

11.2 Major Acquisition and Disposal of Assets and Merger

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

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

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

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

11.4 Implementation of Share Plan

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

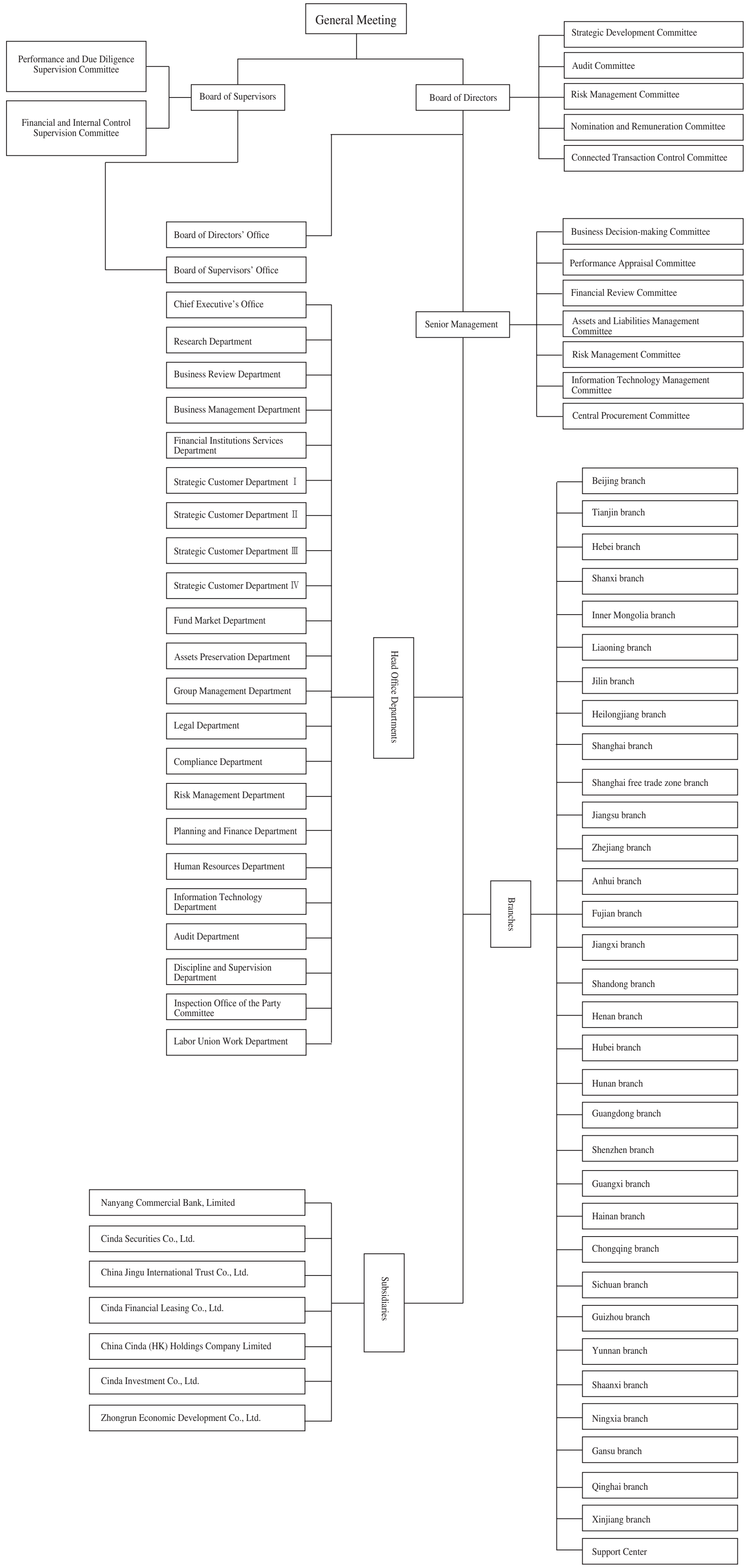
11.5 Major Custody, Contracting and Leasing

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

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

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

12 Organizational Chart



13 AUDIT REPORT AND FINANCIAL STATEMENTS

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INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF CHINA CINDA ASSET MANAGEMENT CO., LTD.
(incorporated in the People's Republic of China with limited liability)

OPINION

What we have audited

The consolidated financial statements of CHINA CINDA ASSET MANAGEMENT CO., LTD. (the "Company") and its subsidiaries (the "Group"), which are set out on pages 142 to 400, comprise:

- the consolidated statement of financial position as at 31 December 2023;
- the consolidated statement of profit or loss for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, comprising material accounting policy information and other explanatory information.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2023, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards 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"). 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, 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.

Key audit matters identified in our audit are summarised as follows:

(1) Measurement of expected credit loss of loans and advances to customers at amortized cost and financial assets at amortized cost

(2) Valuation of Level 3 financial instruments

(3) Consolidation of structured entities

(4) Goodwill impairment assessment of Nanyang Commercial Bank, Limited

<table>
<tr><th>Key audit matter</th><th>How our audit addressed the key audit matter</th></tr>
<tr><td colspan="2">(1) Measurement of expected credit loss of loans and advances to customers at amortized cost and financial assets at amortized cost</td></tr>
<tr><td>Refer to Note IV, 7.4 Impairment of financial assets, Note V, 3 Impairment of financial assets, Note VI, 29 Loans and advances to customers, Note VI, 30 Financial assets at amortized cost, and Note VI, 71.1, Credit Risk.

As at 31 December 2023, gross loans and advances to customers at amortized cost and accrued interest included for the purpose of expected credit loss assessment, as presented in the Group's consolidated balance sheet, amounted to RMB402,527.17 million, for which management recognized an impairment allowance of RMB14,339.06 million; total financial assets at amortized cost and accrued interest included for the purpose of expected credit loss assessment amounted to RMB136,099.12 million, for which management recognized an impairment allowance of RMB16,349.23 million.

Management assesses whether the credit risk of loans and advances to customers at amortized cost and financial assets at amortized cost have increased significantly since their initial recognition, and applies an impairment model to calculate their expected credit loss. For stages 1 and 2 assets aforementioned, management assesses impairment allowance using risk parameter model that incorporates key parameters, including probability of default, loss given default and exposure at default, etc. Management assesses expected credit loss of stages 3 assets aforementioned mainly by estimating the future cash flows associated with the asset.

The measurement of expected credit loss involves significant management judgments and assumptions, primarily including:

(1) Segmentation of business operations sharing similar credit risk characteristics, selection of appropriate models and determination of relevant key measurement parameters;</td><td>We understood and evaluated management's internal controls and assessment processes for the measurement of expected credit loss for loans and advances to customers at amortized cost and financial assets at amortized cost, and assessed the inherent risk of material misstatement.

We assessed and tested the design and the operating effectiveness of the internal controls relating to the measurement of expected credit loss for loans and advances to customers at amortized cost and financial assets at amortized cost, by considering the model governance, significant management judgements and assumptions, integrity and accuracy of underlying data, and review and approval of impairment results.

We involved our credit risk experts in evaluating the model methodologies, significant judgements and assumptions, data and key parameters used in the expected credit loss measurement. The substantive audit procedures we performed primarily including:

(1) According to the risk characteristics of assets, we evaluated the segmentation of business operations, and assessed the appropriateness of the modelling methodologies adopted for expected credit loss measurement. We also examined the calculation for model measurement on a sample basis, to test whether or not the models reflect the modelling methodologies documented by the management.

(2) We have examined the integrity and accuracy of data inputs for the expected credit loss models on a sample basis, including historical and reporting date information.

(3) We selected samples, in consideration of the financial information and non-financial information of the borrowers, relevant external evidence and other factors, to assess the appropriateness of management's identification of significant increase in credit risk and credit-impaired loans.</td></tr>
</table>

Key audit matter	How our audit addressed the key audit matter
(1) Measurement of expected credit loss of loans and advances to customers at amortized cost and financial assets at amortized cost (Continued)	
(2) Criteria for determining whether or not there was a significant increase in credit risk and impairment loss was incurred; (3) Economic indicators for forward-looking measurement, and the application of economic scenarios and weightings; (4) The estimated future cash flows for loans and advances and financial assets in stage 3. The amount of impairment of the loans and advances to customers and financial assets at amortized cost is significant, and the measurement has a high degree of estimation uncertainty. For measuring expected credit loss, the management adopted complex models, applied significant management judgments and assumptions, employed numerous parameters and data inputs, and involved significant inherent risk. In view of these reasons, we identified this as a key audit matter.	(4) We assessed the reasonableness of the management's selection of forward-looking adjustment information in determining expected credit loss including projections of macroeconomic indicators, assumptions and weightings of various macroeconomic scenarios. (5) For loans and advances and financial assets in stage 3, we examined, on a sample basis, the amount of future cash flows forecasted by management, the timing and probability of occurrence, the recoverable amount of collateral and other relevant model parameters and assumptions, and the rationality of impairment allowance results. We checked and evaluated the appropriateness of financial statement disclosures in relation to the measurement of credit risk and expected credit loss. Based on the procedures performed, we considered that the models, significant judgements and assumptions, as well as relevant data and parameters used by management in measuring expected credit loss of loans and advances to customers at amortized cost and financial assets at amortized cost were acceptable.

<table>
<tr><th>Key audit matter</th><th>How our audit addressed the key audit matter</th></tr>
<tr><td colspan="2">(2) Valuation of Level 3 financial instruments</td></tr>
<tr><td>

• Refer to Note V, 2 Fair value of financial instruments, Note VI, 26 Financial assets at fair value through profit or loss, Note VI, 28 Financial assets at fair value through other comprehensive income, Note VI, 29 Loans and advances to customers, Note VI, 47 Financial liabilities at fair value through profit or loss, and Note VI, 72 Fair values of financial instruments.

As at 31 December 2023, financial assets measured at fair value of the Group were RMB704,159.33 million and financial liabilities measured at fair value were RMB9,449.20 million. Among them, the financial assets classified as fair value level 3 due to the use of unobservable input values that have a significant impact on valuation were RMB481,900.91 million, accounting for 30.23% of the total assets, and the financial liabilities were RMB1,388.11 million, accounting for 0.10% of the total liabilities. Level 3 financial investments mainly include the non-performing debt assets acquired by the Group, structured entities instruments such as funds held by the Group and unlisted equity.

We have identified this as a key audit matter due to the material balance of the financial instruments measured at fair value and significant management judgements and assumptions are required, including selection and determination of unobservable inputs, in valuing the financial instruments classified as Level 3.

</td><td>

We understood and evaluated management's internal controls and assessment processes related to the valuation of Level 3. financial instruments measured at fair value and assessed the inherent risk of material misstatements.

We assessed the design and tested the operating effectiveness of the internal controls over the valuation of financial instruments measured at fair value, which includes controls over model validation and approval, review and approval of valuation results, as well as the information technology general controls and application controls within the valuation systems.

We involved internal valuation experts to perform the following substantive procedures on a sample basis:

(1) We assessed the appropriateness of the Group's valuation models, taking into consideration of the asset characteristics, industry practice and benchmarking against prevalent valuation models.

(2) We obtained an understanding of management's methodology for the selection of inputs such as estimated future cash flows, discount rates, market multipliers, liquidity discounts, etc. and assessed the reasonableness and appropriateness of such inputs selected by management.

(3) We performed independent valuation testing to compare the results with management's valuation.

We checked and evaluated the appropriateness of the disclosures in relation to the fair value of financial assets.

Based on the procedures performed, we considered that the judgements and assumptions used by management in valuing the Level 3 financial instruments measured at fair value were acceptable.

</td></tr>
</table>

<table>
<tr><th>Key audit matter</th><th>How our audit addressed the key audit matter</th></tr>
<tr><td colspan="2">(3) Consolidation of structured entities</td></tr>
<tr><td>Refer to Note IV, 2 Basis of consolidation, Note V, 5 Control on structured entities, Note VI, 37 Interests in consolidated structured entities and Note VI, 39 Interests in unconsolidated structured entities.

The Group is principally involved with structured entities through investing in private equity funds, trust plans, asset management plans, wealth management products and mutual funds. As at 31 December 2023, interests in all consolidated structured entities directly held by the Company amounted to RMB65,375.91 million; the Group's interests in unconsolidated structured entities mainly included: financial assets at fair value through profit or loss amounted to RMB158,937.22 million; financial assets at amortized cost amounted to RMB15,315.71 million; interests in associates and joint ventures amounted to RMB11,641.35 million, respectively.

The Group determines whether to consolidate structured entities based on management's assessment of the Group's control over the structured entities, including:

(1) taking into consideration of its power over structured entities;

(2) its exposures or rights to variable returns from its involvement with structured entities;

(3) and its ability to use power to affect the amount of returns from structured entities.

We have identified this as a key audit matter due to the material amount of structured entities and significant judgements were involved in assessing the Group's control over structured entities.</td><td>We understood and assessed management's procedures, internal controls and assessments related to the consolidation of structured entities invested by management, as well as inherent risk of material misstatements.

We assessed the design and tested operating effectiveness of the internal controls over the Group's consolidation of structured entities. These included controls over management's assessment of the business substance, transaction structures and contractual terms, as well as review and approval of the consolidation assessments.

We performed the following substantive procedures on a sample basis:

(1) We obtained the contracts of structured entities, understood its business purpose, transaction structure and identified the decision-making mechanism of related activities. We collated the rights and obligations of the Group and other investors, as well as assessed the analysis of the Group's power over the structured entities based on above information.

(2) We examined the analysis on the Group's variable return obtained from holding an interest in structured entities based on the contractual terms, in order to assess the Group's exposure or rights to variable returns from its involvement in related activities with the structured entities.

(3) We checked the Group's analysis on the magnitude and variability of variable return affected by decision-making power, including the scope of the Group's decision-making power over the structured entity, the risk of variable return borne by holding interests in the structured entity and the substantive rights held by other participants.

Furthermore, we checked the appropriateness of the financial statement disclosures in relation to the consolidated and unconsolidated structured entities.

Based on the procedures performed, we considered that management's judgements on the consolidation of structured entities invested by management were acceptable.</td></tr>
</table>

Key audit matter	How our audit addressed the key audit matter
(4) Goodwill impairment assessment of Nanyang Commercial Bank, Limited	
Refer to Note IV, 4 Goodwill, Note V, 10 Impairment of goodwill and Note VI, 41 Goodwill to the consolidated financial statements. As at 31 December 2023, the carrying amount of goodwill was RMB23,160 million, primarily resulting from the acquisition of Nanyang Commercial Bank, Limited ("NCB") (RMB22,785 million). During the year ended 31 December 2023, the Group accrued goodwill impairment losses of RMB638 million. Goodwill impairment assessment is performed annually. The impairment assessment relies upon the calculation of the recoverable amount for each of the Group's cash generating units ("CGUs") or groups of CGUs. Management considers NCB as one single group of CGUs. The recoverable amount of CGUs or groups of CGUs is the higher of its fair value less costs of disposal and its value in use ("VIU"). Management used the VIU approach to assess the recoverable amount by applying a discounted cash flow ("DCF") model based on key assumptions and inputs including forecast periods, forecast cashflows, growth rate, and discount rate. We have identified this as a key audit matter due to the significant management judgement involved in selecting the appropriate key assumptions and inputs used in goodwill impairment assessment.	We understood and evaluated management's internal controls and assessment procedures related to goodwill impairment assessment, and evaluated the inherent risk of material misstatements. We evaluated and tested the design and implementation of the internal control related to the impairment assessment of NCB goodwill, including the approval of the future cash flow forecast, and the review and approval of the impairment assessment results. With the involvement of our internal valuation specialist, we performed the substantive procedures below: (1) Evaluated the appropriateness of the future cash flow forecast model. (2) Assessed the appropriateness of the key assumptions used in the future cash flow forecasts, including forecast periods, forecast cashflows, growth rates, and discount rate. (3) Performed back testing and compared the data used by management in preparing the cash flow forecasts of NCB under the VIU approach against the business plan and historical operating performance, and understood the deviation (if any) and assessed whether to adjust relevant forecast. (4) Tested the mathematical accuracy of calculations used in the cash flow forecast. We checked and assessed the appropriateness of related disclosures of goodwill. Based on the procedures performed, we found the results of management's goodwill impairment assessment acceptable.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises all of 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 DIRECTORS AND AUDIT COMMITTEE 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 IFRS Accounting Standards 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 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 either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Audit Committee is responsible 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. We report our opinion 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 judgment 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 Yip Siu Foon, Linda.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 26 March 2024

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE YEAR ENDED DECEMBER 31, 2023

(Amounts in thousands of RMB, unless otherwise stated)

		Year ended December 31	
	Notes VI	**2023**	2022
Income from distressed debt assets at amortized cost	*1*	**6,084,166**	10,070,722
Fair value changes on distressed debt assets	*2*	**7,618,401**	11,284,302
Fair value changes on other financial instruments	*3*	**11,214,156**	5,410,373
Investment income	*4*	**289,233**	216,754
Interest income	*5*	**33,061,460**	27,394,889
Revenue from sales of inventories	*6*	**9,502,405**	16,068,262
Commission and fee income	*7*	**4,903,436**	5,110,223
Net gains on disposal of subsidiaries, associates and joint ventures	*8*	**538,647**	1,058,791
Other income and other net gains or losses	*9*	**2,955,902**	4,374,064
Total		**76,167,806**	80,988,380
Interest expense	*10*	**(44,080,500)**	(40,081,101)
Employee benefits	*11*	**(5,709,862)**	(6,122,294)
Purchases and changes in inventories	*6*	**(7,716,746)**	(12,859,464)
Commission and fee expense	*12*	**(804,629)**	(624,550)
Taxes and surcharges		**(481,675)**	(571,094)
Depreciation and amortization expenses		**(2,040,454)**	(2,078,097)
Other expenses		**(3,813,384)**	(3,872,003)
Credit impairment losses	*13*	**(8,475,494)**	(11,380,284)
Impairment losses on other assets	*14*	**(1,274,030)**	(1,877,668)
Total		**(74,396,774)**	(79,466,555)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2023
(Amounts in thousands of RMB, unless otherwise stated)

		Year ended December 31	
	Notes VI	**2023**	2022
Change in net assets attributable to other holders of consolidated structured entities	*37*	**(18,260)**	(47,509)
Profit before share of results of associates and joint ventures and tax		**1,752,772**	1,474,316
Share of results of associates and joint ventures		**6,433,539**	8,983,278
Profit before tax	*15*	**8,186,311**	10,457,594
Income tax expense	*16*	**(1,192,834)**	(3,226,334)
Profit for the year		**6,993,477**	7,231,260
Profit attributable to:			
Equity holders of the Company		**5,820,905**	6,313,402
Non-controlling interests		**1,172,572**	917,858
		6,993,477	7,231,260
Earnings per share attributable to ordinary equity holders of the Company			
(Expressed in RMB Yuan per share)	*17*		
– Basic		**0.11**	0.14
– Diluted		**0.11**	0.14

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2023
(Amounts in thousands of RMB, unless otherwise stated)

	Year ended December 31	
	2023	2022
Profit for the year	**6,993,477**	7,231,260
Other comprehensive income		
Items that may be reclassified subsequently to profit or loss:		
Fair value changes on debt instruments at fair value through other comprehensive income		
Fair value changes arising during the year	**1,297,393**	(1,968,233)
Amounts reclassified to profit or loss upon disposal	**(294,231)**	295,081
Amounts of profit or loss upon impairment	**(207,825)**	135,394
	795,337	(1,537,758)
Exchange differences arising on translation of foreign operations	**47,997**	804,289
Share of other comprehensive income of associates and joint ventures	**18,673**	(5,271)
Subtotal	**862,007**	(738,740)
Items that will not be reclassified subsequently to profit or loss:		
Remeasurement of supplementary retirement benefits	**11,891**	35,049
Fair value changes on equity instruments designated as at fair value through other comprehensive income	**422,384**	(2,423,985)
Share of other comprehensive income of associates and joint ventures	**–**	(2,470)
Subtotal	**434,275**	(2,391,406)
Other comprehensive loss for the year, net of income tax	**1,296,282**	(3,130,146)
Total comprehensive income for the year	**8,289,759**	4,101,114
Total comprehensive income attributable to:		
Equity holders of the Company	**7,074,491**	3,142,295
Non-controlling interests	**1,215,268**	958,819
	8,289,759	4,101,114

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31, 2023

(Amounts in thousands of RMB, unless otherwise stated)

		As at December 31	
	Notes VI	**2023**	2022
Assets			
Cash and balances with central banks	*22*	**15,237,506**	16,677,376
Deposits with banks and financial institutions	*23*	**81,997,616**	97,830,088
Deposits with exchanges and others	*24*	**2,622,029**	2,334,962
Placements with banks and financial institutions	*25*	**24,169,785**	34,424,999
Financial assets at fair value through profit or loss	*26*	**518,309,820**	503,495,905
Financial assets held under resale agreements	*27*	**9,239,139**	30,075,367
Financial assets at fair value through other comprehensive income	*28*	**170,875,858**	130,487,681
Loans and advances to customers	*29*	**403,161,759**	396,529,988
Financial assets at amortized cost	*30*	**119,749,889**	169,994,310
Accounts receivable	*31*	**4,186,709**	4,803,330
Properties held for sale	*33*	**58,859,876**	47,875,190
Investment properties	*34*	**9,041,575**	9,257,660
Interests in associates and joint ventures	*38*	**91,685,030**	87,542,234
Property and equipment	*40*	**13,274,412**	13,766,345
Goodwill	*41*	**23,160,416**	23,378,287
Other intangible assets	*42*	**4,043,300**	3,944,687
Deferred tax assets	*43*	**10,956,488**	11,190,829
Other assets	*44*	**33,786,240**	32,379,737
Total assets		**1,594,357,447**	1,615,988,975

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

AS AT DECEMBER 31, 2023

(Amounts in thousands of RMB, unless otherwise stated)

		As at December 31	
	Notes VI	**2023**	2022
Liabilities			
Borrowings from central bank	*45*	**986,058**	986,058
Accounts payable to brokerage clients	*46*	**17,264,084**	19,107,213
Financial liabilities at fair value through profit or loss	*47*	**9,449,199**	10,684,889
Financial assets sold under repurchase agreements	*48*	**33,338,049**	43,425,645
Placements from banks and financial institutions	*49*	**29,474,595**	20,478,050
Borrowings	*50*	**558,870,502**	615,357,924
Due to customers	*51*	**339,219,789**	323,040,529
Deposits from banks and financial institutions	*52*	**14,994,573**	12,848,839
Accounts payable	*53*	**4,782,991**	4,946,903
Tax payable	*54*	**3,582,550**	4,200,813
Bonds issued	*55*	**302,762,132**	292,882,792
Contract liabilities	*56*	**6,131,999**	7,525,641
Deferred tax liabilities	*43*	**1,723,273**	1,943,766
Other liabilities	*57*	**54,621,458**	50,564,791
Total liabilities		**1,377,201,252**	1,407,993,853
Equity			
Share capital	*58*	**38,164,535**	38,164,535
Other equity instruments	*59*	**32,748,001**	32,748,001
Capital reserve	*60*	**20,480,947**	19,481,312
Other comprehensive income	*61*	**(3,321,967)**	(4,543,285)
Surplus reserve	*62*	**11,270,467**	10,756,092
General reserve	*63*	**17,372,670**	16,859,366
Retained earnings		**76,114,348**	74,739,721
Equity attributable to equity holders of the Company		**192,829,001**	188,205,742
Non-controlling interests		**24,327,194**	19,789,380
Total equity		**217,156,195**	207,995,122
Total equity and liabilities		**1,594,357,447**	1,615,988,975

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, 2023

(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 *(Note VI.64)*	Subtotal	Non-controlling interests	Total
As at January 1, 2023	38,164,535	32,748,001	19,481,312	(4,543,285)	10,756,092	16,859,366	74,739,721	188,205,742	19,789,380	207,995,122
Profit for the year	-	-	-	-	-	-	5,820,905	5,820,905	1,172,572	6,993,477
Other comprehensive income for the year	-	-	-	1,253,586	-	-	-	1,253,586	42,696	1,296,282
Total comprehensive income for the year	-	-	-	1,253,586	-	-	5,820,905	7,074,491	1,215,268	8,289,759
Capital contribution from non-controlling interests of subsidiaries	-	-	851,049	-	-	-	-	851,049	1,772,541	2,623,590
Acquisition of additional interests in subsidiaries	-	-	(43,414)	-	-	-	-	(43,414)	(197,147)	(240,561)
Issuance of capital securities	-	-	-	-	-	-	-	-	2,186,511	2,186,511
Acquisition of interests in a subsidiary	-	-	25,503	-	-	-	-	25,503	213,301	238,804
Appropriation to surplus reserve	-	-	-	-	514,375	-	(514,375)	-	-	-
Appropriation to general reserve	-	-	-	-	-	513,304	(513,304)	-	-	-
Dividends *(Note VI.17, Note VI.18)*	-	-	-	-	-	-	(3,450,867)	(3,450,867)	-	(3,450,867)
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	(284,987)	(284,987)
Dividends paid to capital securities	-	-	-	-	-	-	-	-	(367,673)	(367,673)
Share of associates' equity changes other than comprehensive income and distribution	-	-	166,497	-	-	-	-	166,497	-	166,497
Other comprehensive income carried forward to retained earnings	-	-	-	(32,268)	-	-	32,268	-	-	-
As at December 31, 2023	38,164,535	32,748,001	20,480,947	(3,321,967)	11,270,467	17,372,670	76,114,348	192,829,001	24,327,194	217,156,195

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2023
(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 *(Note VI.64)*	Subtotal	Non-controlling interests	Total
As at January 1, 2022	38,164,535	20,795,600	20,541,741	(1,372,178)	10,114,703	17,065,621	73,490,789	178,800,811	22,974,669	201,775,480
Profit for the year	–	–	–	–	–	–	6,313,402	6,313,402	917,858	7,231,260
Other comprehensive income for the year	–	–	–	(3,171,107)	–	–	–	(3,171,107)	40,961	(3,130,146)
Total comprehensive income for the year	–	–	–	(3,171,107)	–	–	6,313,402	3,142,295	958,819	4,101,114
Issuance of other equity instruments	–	11,952,401	–	–	–	–	–	11,952,401	–	11,952,401
Capital contribution from non-controlling interests of subsidiaries	–	–	–	–	–	–	–	–	179,794	179,794
Acquisition of additional interests in subsidiaries	–	–	8,964	–	–	–	–	8,964	(63,106)	(54,142)
Issuance of capital securities	–	–	–	–	–	–	–	–	4,288,875	4,288,875
Redemption of capital securities	–	–	(87,947)	–	–	–	–	(87,947)	(8,216,193)	(8,304,140)
Disposal of interests in a subsidiary	–	–	(58,349)	–	–	–	–	(58,349)	241,672	183,323
Appropriation to surplus reserve	–	–	–	–	641,389	–	(641,389)	–	–	–
Appropriation to general reserve	–	–	–	–	–	(206,255)	206,255	–	–	–
Dividends *(Note VI.17, Note VI.18)*	–	–	–	–	–	–	(4,629,336)	(4,629,336)	–	(4,629,336)
Dividends paid to non-controlling interests	–	–	–	–	–	–	–	–	(228,986)	(228,986)
Dividends paid to capital securities	–	–	–	–	–	–	–	–	(346,164)	(346,164)
Share of associates' equity changes other than comprehensive income and distribution	–	–	(923,097)	–	–	–	–	(923,097)	–	(923,097)
As at December 31, 2022	38,164,535	32,748,001	19,481,312	(4,543,285)	10,756,092	16,859,366	74,739,721	188,205,742	19,789,380	207,995,122

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

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2023
(Amounts in thousands of RMB, unless otherwise stated)

	Year ended December 31	
	2023	2022
OPERATING ACTIVITIES		
Profit before tax	**8,186,311**	10,457,594
Adjustments for:		
Impairment losses on other assets	**1,274,030**	1,877,668
Credit impairment losses	**8,475,494**	11,380,284
Depreciation of property and equipment, investment properties and right-of-use assets	**1,622,840**	1,685,790
Amortization of intangible assets and other long-term assets	**417,614**	392,307
Share of results of associates and joint ventures	**(6,433,539)**	(8,983,278)
Net gains on disposal of property and equipment, investment properties and other intangible assets	**(61,626)**	(20,237)
Net gains on disposal of subsidiaries, associates and joint ventures	**(538,647)**	(1,058,791)
Fair value changes on financial assets	**(5,004,369)**	(3,774,244)
Investment income	**14,624**	(210,393)
Interest income	**(4,976,972)**	(5,473,336)
Borrowing costs	**15,925,566**	15,969,709
Operating cash flows before movements in working capital	**18,901,326**	22,243,073
Decrease in balances with central banks and deposits with banks and financial institutions	**1,580,910**	14,527
Decrease/(Increase) in financial assets at fair value through profit or loss	**19,562,486**	(29,314,931)
Decrease in placements with banks and financial institutions	**2,900,647**	138,915
Decrease/(Increase) in financial assets held under resale agreements	**1,673,664**	(2,300,269)
Decrease in financial assets at amortized cost	**44,439,921**	1,765,129
Increase in loans and advances to customers	**(13,273,199)**	(27,820,369)
Decrease/(Increase) in accounts receivable	**679,880**	(2,426,395)
Increase in properties held for sale	**(13,118,448)**	(4,396,066)
Increase in due to customers and deposits from banks and financial institutions	**18,324,994**	17,164,343
(Decrease)/Increase in accounts payable to brokerage clients	**(1,843,129)**	1,501,624
(Decrease)/Increase in financial assets sold under repurchase agreements	**(9,968,563)**	28,262,351
(Decrease)/Increase in borrowings	**(64,036,779)**	63,853,300
Decrease in accounts payable	**(163,912)**	(442,585)
Decrease in contract liabilities	**(1,393,642)**	(6,155,732)
Increase in other operating assets	**(685,399)**	(11,236,838)
Increase in other operating liabilities	**15,395,413**	8,027,501
Cash inflow from operations	**18,976,170**	58,877,578
Income taxes paid	**(3,433,259)**	(4,700,934)
NET CASH INFLOW FROM OPERATING ACTIVITIES	**15,542,911**	54,176,644

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

CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2023
(Amounts in thousands of RMB, unless otherwise stated)

	Notes VI	**Year ended December 31** **2023**	2022
INVESTING ACTIVITIES			
Cash receipts from disposals and recovery of investment securities		**51,377,667**	187,839,303
Dividends received from investment securities		**6,747,128**	11,300,441
Dividends received from associates and joint ventures		**2,308,328**	2,395,253
Interest received from investment securities		**4,976,972**	2,908,113
Cash receipts from disposals of property and equipment, investment properties and other intangible assets		**232,344**	3,156,817
Net cash inflows/(outflows) from disposals of subsidiaries		**–**	2,744,163
Net cash flows from disposals of associates and joint ventures		**5,144,797**	4,563,302
Cash payments to acquire investment securities		**(126,921,292)**	(198,687,954)
Net cash (outflows)/inflows due to acquisition of subsidiaries		**103,002**	(171,185)
Cash payments for purchase of property and equipment, investment properties and other intangible assets		**(847,283)**	(1,935,959)
Cash payments for establishment and acquisition of interests in associates and joint ventures		**(3,701,645)**	(6,801,388)
NET CASH INFLOW FROM INVESTING ACTIVITIES		**(60,579,982)**	7,310,906
FINANCING ACTIVITIES			
Proceeds from issuance of other equity instruments		**–**	11,952,401
Proceeds from issuance of capital securities		**2,186,511**	4,288,875
Capital contribution from non-controlling interests of subsidiaries of the Company		**2,623,590**	179,794
Proceeds from disposal of partial interests in a subsidiary that does not involve loss of control		**–**	183,323
Cash payment to acquire additional interests in subsidiaries		**(240,561)**	(54,142)
Cash receipts from borrowings raised		**51,638,063**	33,931,251
Cash receipts from bonds issued		**99,481,397**	39,565,019
Cash repayments of borrowings		**(43,926,417)**	(39,311,373)
Cash repayments of bonds		**(90,302,836)**	(121,744,421)
Interest expenses on borrowings and bonds		**(16,251,817)**	(16,871,357)
Redemption of capital securities issued		**–**	(8,304,140)
Dividends paid		**(3,450,867)**	(4,629,336)
Dividends paid to non-controlling interests of subsidiaries and capital securities		**(652,660)**	(576,293)
Cash payments for other financing activities		**(390,961)**	(70,684)

CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2023
(Amounts in thousands of RMB, unless otherwise stated)

		Year ended December 31	
	Notes VI	**2023**	2022
NET CASH OUTFLOW FROM FINANCING ACTIVITIES		**713,442**	(101,461,083)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		**(44,323,629)**	(39,973,533)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		**145,411,977**	173,326,056
Effect of foreign exchange changes		**1,788,413**	12,059,454
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	*65*	**102,876,761**	145,411,977
Net cash flows from operating activities include:			
Interest received		**28,084,488**	21,921,553
Interest paid		**28,173,194**	24,158,901

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, 2023, the MOF directly owned 58.00% of the share capital of the Company.

The Company has financial services certificate No. J0004H111000001 issued by the National Financial Regulatory Administration ("NFRA" and the former China Banking and Insurance Regulatory Commission, "CBIRC"), and business license No. 911100007109249 45A 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 National Administration of Financial Regulation or other regulatory bodies.

II. BASIS OF PREPARATION

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Accounting Standards as issued by the International Accounting Standards Board ("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.

II. BASIS OF PREPARATION (Continued)

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

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

III. APPLICATION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS

Standards, amendments and interpretations effective in 2023

In current year, the Group has applied the following applicable new standards, amendments and interpretations to IFRSs that are effective for the Group's annual period beginning on January 1, 2023.

IAS 1 and IFRS Practice Statement 2 Amendments	*Disclosure of Accounting Policies*
IAS 8 Amendments	*Definition of Accounting Estimates*
IAS 12 Amendments	*Deferred Tax related to Assets and Liabilities arising from a Single Transaction*
IAS 12 Amendments	*International Tax Reform – Pillar Two Model Rules*

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

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

III. APPLICATION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS (Continued)

Standards, amendments and interpretations effective in 2023 (Continued)

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

IAS 12 Amendments "International Tax Reform – Pillar Two Model Rules" introduce a temporary mandatory exception from deferred tax accounting for the income tax arising from tax laws enacted or substantively enacted to implement the Pillar Two model rules published by the Organisation for Economic Co-operation and Development (OECD), including tax laws that implement qualified domestic minimum top-up taxes described in those rules. The amendments also introduce disclosure requirements about such tax.

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.

(Amounts in thousands of RMB, unless otherwise stated)

III. APPLICATION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS (Continued)

Standards, amendments and interpretations that are not yet effective in 2023

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
IAS 1 Amendments	*Classification of Liabilities as Current or Non-current*	January 1, 2024
IAS 1 Amendments	*Non-current liabilities with contractual terms*	January 1, 2024
IFRS 16 Amendments	*Lease Liability in a Sale and Leaseback*	January 1, 2024
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

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

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

III. APPLICATION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS (Continued)

Standards, amendments and interpretations that are not yet effective in 2023 (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. MATERIAL 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. MATERIAL 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. MATERIAL ACCOUNTING POLICIES (Continued)

2. Basis of consolidation (Continued)

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

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

3. Business combinations

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

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

IV. MATERIAL ACCOUNTING POLICIES (Continued)

3. Business combinations (Continued)

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

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

4. Goodwill

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

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

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

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.

IV. MATERIAL ACCOUNTING POLICIES (Continued)

6. Foreign currency transactions

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

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

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

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

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. MATERIAL 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.72 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. MATERIAL ACCOUNTING POLICIES (Continued)

7. Financial instruments (Continued)

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

Business model

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

The contractual cash flow characteristics

The assessment of contractual cash flow characteristics is to 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.

IV. MATERIAL ACCOUNTING POLICIES (Continued)

7. Financial instruments (Continued)

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

Financial assets at amortized cost (Continued)

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

IV. MATERIAL 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.

Reclassification

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. MATERIAL 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. MATERIAL 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:

- Segmentation of financial instruments based on credit risk characteristics for losses
- Criteria for judging significant increases in credit risk
- Definition of credit-impaired financial asset
- Parameters of the ECL measurement
- Forward-looking information
- Future cash flows forecast for credit-impaired corporate loans and financial assets

IV. MATERIAL ACCOUNTING POLICIES (Continued)

7. Financial instruments (Continued)

7.4 Impairment of financial assets (Continued)

(i) Segmentation of financial instruments based on credit risk characteristics for losses

For the purpose of ECL measurement, the Group has divided business with common credit risk characteristics into separate groups. the Group considered credit risk characteristics such as client type and the industry in which the client operates. The Group obtained sufficient information to ensure segmentation is statistically reliable. For the year ended December 31, 2023, the Group reclassified certain business with common credit risk characteristics into separate groups.

(ii) 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.

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

IV. MATERIAL ACCOUNTING POLICIES (Continued)

7. Financial instruments (Continued)

7.4 Impairment of financial assets (Continued)

(iii) Definition of credit-impaired financial asset

The standard adopted by the Group to determine whether a credit impairment occurs under IFRS 9-Financial Instruments (hereinafter referred to as "IFRS 9") is consistent with the internal credit risk management objectives of the relevant financial instruments. When the Group assesses whether the credit impairment of debtors occurred, the following factors are mainly considered:

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

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

IV. MATERIAL ACCOUNTING POLICIES (Continued)

7. Financial instruments (Continued)

7.4 Impairment of financial assets (Continued)

(iv) 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.

(v) Forward-looking information

The assessment of a significant increase in credit risk and the calculation of ECL involve forward-looking information. For the year ended December 31, 2022, 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. For year ended December 31, 2023, 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 New House Price Index, Pre-owned House Price Index and CPI, etc. The forecast 2024 domestic M1 growth rate used by the Group is between 3% and 4%, the forecast 2024 domestic M2 growth rate used by the Group is between 8% and 12%, the forecast 2024 PPI growth rate used by the Group is between 3% and 5%.

IV. MATERIAL ACCOUNTING POLICIES (Continued)

7. Financial instruments (Continued)

7.4 Impairment of financial assets (Continued)

(v) Forward-looking information (Continued)

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. At December 31, 2023, the Group reviewed the macroeconomic scenario weightings in conjunction with expert judgement. Overall, the benchmark scenario has been assigned with the highest weighting while the upside scenario shares the same weighting with the downside scenario. 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.

(vi) Future cash flows forecast for credit-impaired corporate loans and financial assets

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 evaluates the future cash flows (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. MATERIAL ACCOUNTING POLICIES (Continued)

7. Financial instruments (Continued)

7.5 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.

7.6 Transfer of financial assets

The Group derecognizes a financial asset only when (1) the contractual rights to the cash flows from the asset expire, or (2) when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity, or (3) when it transfers the financial asset and gives up the control of the transferred assets though the Group neither transfers nor retains substantially all the risks and rewards of ownership. 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 (exclude financial assets at fair value through other comprehensive income).

IV. MATERIAL ACCOUNTING POLICIES (Continued)

7. Financial instruments (Continued)

7.6 Transfer of financial assets (Continued)

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 (exclude financial assets at fair value through other comprehensive income).

7.7 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.

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.

IV. MATERIAL ACCOUNTING POLICIES (Continued)

7. Financial instruments (Continued)

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

Financial liabilities at fair value through profit or loss (Continued)

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.

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.

7.8 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.

7.9 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.

IV. MATERIAL ACCOUNTING POLICIES (Continued)

7. Financial instruments (Continued)

7.9 Derivative financial instruments and hedge accounting (Continued)

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.

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.

IV. MATERIAL ACCOUNTING POLICIES (Continued)

7. Financial instruments (Continued)

7.9 Derivative financial instruments and hedge accounting (Continued)

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.

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.

IV. MATERIAL ACCOUNTING POLICIES (Continued)

7. Financial instruments (Continued)

7.9 Derivative financial instruments and hedge accounting (Continued)

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.

7.10 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.

IV. MATERIAL ACCOUNTING POLICIES (Continued)

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.

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.

IV. MATERIAL ACCOUNTING POLICIES (Continued)

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.

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.

The Group held some equity investments in associates through venture capital institutions, mutual funds, trust companies or similar entities including investment linked insurance funds.The equity investments may be classified as financial assets measured at fair value through profit or loss in accordance with relevant accounting standards, and the remaining portion shall be accounted for using the equity method.

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.

IV. MATERIAL ACCOUNTING POLICIES (Continued)

10. Interests in associates and joint ventures (Continued)

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.

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.

(Amounts in thousands of RMB, unless otherwise stated)

IV. MATERIAL ACCOUNTING POLICIES (Continued)

11. Investment properties (Continued)

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.

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.

IV. MATERIAL ACCOUNTING POLICIES (Continued)

12. Property and equipment (Continued)

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.

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.

IV. MATERIAL ACCOUNTING POLICIES (Continued)

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.

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.

IV. MATERIAL ACCOUNTING POLICIES (Continued)

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

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.

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.

IV. MATERIAL ACCOUNTING POLICIES (Continued)

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.

18. Preference shares and Perpetual bonds

Preference shares issued by the Company contain no contractual obligation to deliver cash or another financial asset; or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the Company; and preference shares issued are non-derivative instruments that will be settled in the Company's own equity instruments, but includes no contractual obligation for the Company to deliver a variable number of its own equity instruments. The Company classifies preference shares issued as an equity instrument. Fees, commissions and other transaction costs of preference shares issuance are deducted from equity. The dividends on preference shares are recognized as profit distribution at the time of declaration.

Perpetual bonds issued by the Company contain no contractual obligation to deliver cash or another financial asset; or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the Company; and perpetual bonds issued includes no terms and arrangements that the bonds must or will alternatively be settled in the Company's own equity instruments. The Company classifies perpetual bonds issued as an equity instrument. Fees, commissions and other transaction costs of perpetual bonds issuance are deducted from equity. The interest on perpetual bonds is recognized as profit distribution at the time of declaration.

IV. MATERIAL ACCOUNTING POLICIES (Continued)

19. Revenue recognition

19.1 Income from distressed assets

Income from distressed assets is mainly generated from distressed debt assets included in financial assets at amortized cost and financial assets at fair value through profit or loss, equity instruments relating to distressed asset business included in financial assets at fair value through profit or loss and assets in satisfaction of debts.

Income from distressed debt assets includes interest income and gains or losses arising on distressed debt assets classified as financial assets at amortized cost, gains or losses from disposal of distressed debt assets at fair value through profit or loss and unrealized fair value changes on such assets, both of which are accounted for as fair value changes on distressed debt assets. Any interest income arising from distressed debt assets at fair value through profit or loss is also included in fair value changes of such assets. Income is also generated from the disposal of assets in satisfaction of debts. The accounting policy for interest income arising on distressed debt assets classified as financial assets at amortized cost is detailed in Note IV.19.4 Interest income and expense.

Income from equity instruments relating to distressed asset business classified as financial assets at fair value through profit or loss includes dividend income, Unrealized fair value changes and gains or losses from disposal of these instruments and are presented under fair value changes of other financial instruments. The accounting policy for dividend income is detailed in Note IV.19.5 Investment income.

19.2 Commission and fee income

The Group earns commission and fee income from securities and futures brokerage business, securities underwriting business, fund and asset management business, consultancy and financial advisory business, trustee services business, banking business, agency business services, insurance brokerage 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.

IV. MATERIAL ACCOUNTING POLICIES (Continued)

19. Revenue recognition (Continued)

19.3 Revenue from sale of goods

Revenue from sale of goods of the Group is recognized when control of goods is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods.

When the contract contains a financing component which provides the customer or the Group a significant benefit of financing the transfer of goods to the customer, either explicitly or implicitly, the transaction price for such contracts is discounted to take into consideration the significant financing component.

Using the practical expedient in IFRS 15, the Group does not adjust the promised amount of consideration for the effects of a significant financing component if it expects, at contract inception, that the period between the transfer of the promised good or service to the customer and when the customer pays for that good or service will be one year or less.

19.4 Interest income and expense

Interest income and expense for all interest-bearing financial instruments, except for interest income from distressed debt assets, are recognized within "interest income" and "interest expense" in profit or loss using the effective interest method.

Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is recognized using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

19.5 Investment income

Investment income includes dividend income from the equity instruments at fair value through other comprehensive income, and gain/loss from disposal of financial assets other than financial assets at fair value through profit or loss, equity investment at fair value through other comprehensive income and distressed debt assets at amortized cost.

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.

IV. MATERIAL ACCOUNTING POLICIES (Continued)

19. Revenue recognition (Continued)

19.6 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.

20. Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

20.1 Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated statement of profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

20.2 Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

IV. MATERIAL ACCOUNTING POLICIES (Continued)

20. Taxation (Continued)

20.2 Deferred tax (Continued)

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.

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. MATERIAL ACCOUNTING POLICIES (Continued)

21. Leasing

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

21.1 As Lessee

The lease term is the non-cancellable period of a lease for which the Group has the right to use an underlying asset. The Group has several lease contracts that include extension and termination options. The Group applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. The Group considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. The Group includes the renewal period as part of the lease term for leases when the renewal options are reasonably certain to be exercised. The renewal periods for leases with longer non-cancellable periods are not included as part of the lease term as these are not reasonably certain to be exercised. Furthermore, the periods covered by termination options are included as part of the lease term only when they are reasonably certain not to be exercised. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate.

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. MATERIAL ACCOUNTING POLICIES (Continued)

21. Leasing (Continued)

21.1 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. MATERIAL ACCOUNTING POLICIES (Continued)

21. Leasing (Continued)

21.1 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. MATERIAL ACCOUNTING POLICIES (Continued)

21. Leasing (Continued)

21.2 As Lessor

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset, except that a lease is classified as an operating lease at the inception date.

When the Group is a lessor under finance leases, the Group recognizes the receivable as the sum of the minimum lease payment receivable and initial direct costs at the commencement date, and records the unguaranteed residual value. The difference between the aggregation, which consists of the receivable and the unguaranteed residual value, and the sum of the present value is recognized as unearned finance income. The Group uses the effective interest method to recognize the current finance income. In the initial measurement of the finance lease receivable, the Group recognizes the net investment of the lease as the book value. The net investment in a lease is the sum of the unguaranteed residual value and the present value of the unreceived minimum lease payment receivable at the commencement date, which is discounted by the interest rate implicit in the lease. The Group calculates and recognizes the interest income in each period during the lease term using the constant periodic rate of interest, and recognizes such interest expenses in profit or loss. Variable lease payments that are not measured as part of the net investment in the lease are recognized in profit or loss as incurred.

When the Group is a lessor under operating leases, the Group still reflects the underlying assets as the Group's assets. The rent income is amortized on a straight-line basis in each period of the lease term and recognized in profit or loss. Variable lease payments that are not measured as part of the receivable in the lease are recognized in profit or loss as incurred.

22. Fiduciary activities

The Group's fiduciary activities mainly include trust and asset custody services.

The trust service of the Group refers to the business that the Group acts as trustee to undertake investment activity within the agreed period and scope on behalf of the third-party lenders who provide the fund.

The Group is responsible for the arrangement and collection of the entrusted loans and receives a commission for the services rendered. As the Group does not assume the risks and rewards of the entrusted loans and the funding for the corresponding entrusted funds, they are not recognized as assets and liabilities of the Group.

IV. MATERIAL ACCOUNTING POLICIES (Continued)

23. Employee benefits

In the reporting period in which an employee has rendered services, the Group recognizes the employee benefits payable for those services as a liability.

Social welfare

Social welfare expenditure refers to payments for employees' social welfare system established by the PRC government, including social insurance, housing funds and other social welfare contributions. The Group contributes on a monthly basis to these funds based on certain percentage of the salaries of the employees and the contributions are recognized in profit or loss for the period in which they are incurred. The Group's liabilities in respect of these funds are limited to the contribution payable in the reporting period.

Annuity scheme

The employees of the Group participate in Annuity scheme set up by the Company (the "Annuity scheme"). The Group made annuity contributions with reference to employees' salaries of last year, and the contributions are expensed in profit or loss when incurred. The Group has no further obligation even if the Annuity scheme does not have sufficient assets for payment of supplementary retirement benefits to employees.

Defined benefit plans

The Group's subsidiary NCB operates a defined benefit plan for all its retired employees.

Under the plan, the employees are entitled to retirement benefits which included fully redeemed medical care, housing allowance and other retirement benefits.

The liability related to the above post-retirement benefit obligations existing at the end of each reporting period is calculated by independent actuaries using the projected unit credit method and is recorded as a liability. The present value of the liability is determined through discounting the estimated future cash outflows using interest rates of RMB treasury bonds which have terms to maturity approximating the terms of the related liability. The actuarial gains or losses of post-retirement benefit obligations are recognized in "other comprehensive income" immediately when they occur. Except for the actuarial changes, other changes are recognized in profit or loss for the period immediately when they occur.

IV. MATERIAL ACCOUNTING POLICIES (Continued)

24. Government grants

Government grants are not recognized until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognized in profit or loss on a systematic basis over the periods in which the Group recognizes as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognized as deferred income in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognized in profit or loss in the period in which they become receivable.

V. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION

The following are the critical judgements and key estimation uncertainties that the management has made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognized in the consolidated financial statements.

1. Classification of financial assets

The Group's critical judgements on determining the classification of financial assets include assessment of business model and analysis of contractual cash flow characteristics. The Group's assessment of the business model is performed on a financial assets portfolio basis, taking into consideration of how to generate cash flows of the assets in the past, how the performance of the financial assets are evaluated and reported to the Group's key management personnel, how the risks are evaluated and managed, and how managers are compensated. The Group's critical judgements on whether the cash flows are solely payments of principal and interest on the principal amount outstanding include whether principal amount may change over the life of the financial asset (for example, if there are repayments of principal) and whether interest only consists of consideration for the time value of money, for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs, as well as a profit margin.

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, market comparison method or other valuation methods as appropriate. In practice, observable data are used in the models whenever possible. However, areas such as credit risk of 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 measurement of the expected credit loss allowance for financial assets measured at amortised cost is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behaviour (the likelihood of customers defaulting and the resulting losses).

- Segmentation of financial instruments based on credit risk characteristics for losses
- Criteria for judging significant increases in credit risk
- Definition of credit-impaired financial asset
- Parameters of the ECL measurement
- Forward-looking information
- Future cash flows forecast for credit-impaired corporate loans and financial assets

Refer to Note IV.7.4 impairment of financial assets for the description of the parameters, assumptions and estimation techniques used in measuring the ECL.

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. 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.37 Interests in consolidated structured entities.

The Group reassesses whether it controls a structured entity if facts and circumstances indicate that there are changes to one or more of the three elements of control as listed in Note IV.2 Basis of consolidation.

6. Judgment on joint control

The joint control over the investees is determined by the Group's assessment of the existence of sharing of control. The assessment involves judgment on whether decisions about the relevant activities require the unanimous consent of the parties sharing control.

7. Judgment on significant influence

The significant influence over the investees is determined by the Group's assessment of its power to participate in the investees' financial and operating policy decisions. The assessment involves significant judgment based on factors such as the investees' policy-making process, composition of board of directors or other governing body, change in ownership and existence of contractual arrangements.

8. Recognition and allocation of properties under development

The construction cost is accumulated in properties under development during the construction period and recognized as purchases and changes in inventories in the statement of profit or loss when they are sold. The construction cost is estimated by the management of the Group in accordance with budget and the progress of development. The cost directly related to development in current period is accumulated in properties under development and the common cost among construction periods cost is allocated among each period on the basis of saleable area.

9. Taxes

There are certain transactions and activities for which the ultimate tax determination is subject to the final approval of annual tax return the Group filed with relevant tax authorities. Where the final tax outcome of these matters is different from the amounts that were initially estimated, such differences will impact the current income tax and deferred income tax in the period during which such a determination is made.

V. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION (Continued)

10. Impairment of goodwill

Goodwill is tested for impairment annually or more frequently. This requires an estimate of the present value of future cash flows for the cash-generating units to which goodwill is allocated. When estimating the present value of future cash flows, the Group needs to adopt key assumptions, including forecasted periods, forecasted cash flows, and growth rates to anticipate future cash flows from the cash-generating units, and select the appropriate discount rate to determine the present value of future cash flows. These assumptions are subject to inherent uncertainty.

VI EXPLANATORY NOTES

1. Income from distressed debt assets at amortized cost

The amounts mainly represent interest income and gains or losses from disposal of distressed debt assets at amortized cost, which were acquired from financial institutions and non-financial institutions (see Note VI.30 Financial assets at amortized cost).

For the year ended December 31, 2023, the net gain on the derecognition of distressed debt assets at amortized cost was RMB828 million (For the year ended December 31, 2022, the net loss was RMB220 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.26 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.26 Financial assets at fair value through profit or loss and Note VI.47 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 years ended December 31, 2023 and 2022, the fair value changes on financial liabilities at fair value through profit or loss were insignificant.

4. Investment income

	Year ended December 31	
	2023	2022
Net realized gain from disposal of		
– Financial assets at fair value through other comprehensive income	**305,360**	219,825
– Loans and advances to customers at amortized cost	**–**	6,361
Dividend income from		
– Financial assets at fair value through other comprehensive income	**33,696**	4,091
Others	**(49,823)**	(13,523)
Total	**289,233**	216,754

(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	
	2023	2022
Loans and advances to customers		
– Corporate and personal loans and advances	**16,287,586**	13,297,618
– Finance lease receivables	**3,764,518**	4,248,481
– Loans to margin clients	**589,170**	590,851
Other debt investments at amortized cost	**3,633,403**	3,394,931
Financial assets at fair value through other comprehensive income	**4,858,363**	2,726,981
Deposits with banks and financial institutions	**2,003,329**	1,962,915
Financial assets held under resale agreements	**358,979**	572,058
Placements with banks and financial institutions	**855,942**	476,568
Others	**710,169**	124,486
Total	**33,061,460**	27,394,889

6. Revenue from sales of inventories and purchases and changes in inventories

	Year ended December 31	
	2023	2022
Revenue from sales of inventories	**9,502,405**	16,068,262
Purchases and changes in inventories	**(7,716,746)**	(12,859,464)
Including:		
Revenue from sales of properties held for sale	**9,502,405**	16,068,262
Purchases and changes in properties held for sale	**(7,716,746)**	(12,859,464)
Gross profit from sales of properties	**1,785,659**	3,208,798

(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	
	2023	2022
Recognized at a point in time		
Sales of properties held for sale	**9,252,807**	15,105,546
Recognized over time		
Primary land development	**249,598**	962,716

The amounts of transaction prices allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at year end are as follows:

	Year ended December 31	
	2023	2022
Amounts expected to be recognized as revenue:		
Within one year	**4,073,553**	4,992,000
After one year	**1,443,757**	2,554,982
Total	**5,517,310**	7,546,982

7. Commission and fee income

	Year ended December 31	
	2023	2022
Fund and asset management business	**1,516,762**	1,622,819
Securities and futures brokerage	**1,103,943**	1,228,704
Banking business	**633,624**	653,807
Trustee services	**538,376**	498,369
Consultancy and financial advisory services	**386,649**	228,772
Insurance brokerage services	**328,849**	146,722
Agency business	**237,759**	505,587
Securities underwriting business	**49,984**	75,202
Others	**107,490**	150,241
Total	**4,903,436**	5,110,223

(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	
	2023	2022
Net gains on disposal of subsidiaries	**–**	282,063
Net gains on disposal of associates and joint ventures	**538,647**	776,728
Total	**538,647**	1,058,791

9. Other income and other net gains or losses

	Year ended December 31	
	2023	2022
Rental income	**733,417**	840,154
Income from liquidated damages	**585,483**	120,299
Revenue from hotel operation	**506,680**	301,289
Net gains or losses on exchange differences	**369,522**	1,998,370
Revenue from project supervision	**354,691**	662,044
Revenue from property management business	**256,437**	257,811
Government grants and compensation (1)	**191,957**	237,548
Net gains on disposal of other assets	**7,456**	20,091
Others	**(49,741)**	(63,542)
Total	**2,955,902**	4,374,064

(1) For the year ended December 31, 2023, the government grant and compensation from operating activities, as part of other income and other net gains or losses, amounted to RMB169.29 million (for the year ended December 31, 2022: RMB199.40 million).

(Amounts in thousands of RMB, unless otherwise stated)

VI EXPLANATORY NOTES (Continued)

10. Interest expense

	Year ended December 31 **2023**	2022
Borrowings		
– Wholly repayable within five years	**(19,592,497)**	(21,603,517)
– Not wholly repayable within five years	**(979,630)**	(901,214)
Bonds issued	**(11,891,855)**	(11,851,690)
Due to customers	**(9,032,622)**	(4,377,209)
Financial assets sold under repurchase agreements	**(1,328,934)**	(605,834)
Placements from banks and financial institution	**(532,736)**	(323,073)
Deposits from banks and financial institutions	**(490,684)**	(219,924)
Accounts payable to brokerage clients	**(129,534)**	(101,972)
Lease liabilities	**(68,464)**	(55,860)
Others	**(33,544)**	(40,808)
Total	**(44,080,500)**	(40,081,101)

11. Employee benefits

	Year ended December 31 **2023**	2022
Wages or salaries, bonuses, allowances and subsidies	**(4,008,425)**	(4,468,779)
Defined contribution plans	**(636,557)**	(598,054)
Social insurance	**(356,260)**	(354,090)
Housing funds	**(278,665)**	(256,108)
Labour union fees and staff education expenses	**(90,546)**	(128,828)
Defined benefit plans	**(5,046)**	(6,109)
Others	**(334,363)**	(310,326)
Total	**(5,709,862)**	(6,122,294)

(Amounts in thousands of RMB, unless otherwise stated)

VI EXPLANATORY NOTES (Continued)

12. Commission and fee expense

	Year ended December 31	
	2023	2022
Securities and futures brokerage	**(322,745)**	(354,462)
Entrusted asset management	**(17,113)**	(52,718)
Securities underwriting business	**(9,073)**	(14,865)
Others	**(455,698)**	(202,505)
Total	**(804,629)**	(624,550)

13. Credit impairment losses

	Year ended December 31	
	2023	2022
Financial assets at amortized cost		
– Distressed debt assets	**(1,766,081)**	(6,498,298)
– Other debt investments	**(2,916,749)**	(1,493,423)
Loans and advances to customers	**(3,800,224)**	(3,270,087)
Accounts receivable	**104,193**	(171,726)
Other receivables	**(221,834)**	163,029
Interest receivable	**(163,596)**	(190,672)
Financial assets at fair value through other comprehensive income	**34,968**	(123,916)
Financial assets held under resale agreements	**(19,546)**	46,950
Other credit impairment losses	**273,375**	157,859
Total	**(8,475,494)**	(11,380,284)

(Amounts in thousands of RMB, unless otherwise stated)

VI EXPLANATORY NOTES (Continued)

14. Impairment losses on other assets

	Year ended December 31	
	2023	2022
Goodwill	**(638,000)**	–
Properties held for sale	**(381,078)**	(388,894)
Foreclosed assets	**(218,597)**	(222,476)
Interests in associates and joint ventures	**(36,355)**	(1,257,115)
Property and equipment	**–**	(9,183)
Total	**(1,274,030)**	(1,877,668)

15. Profit before tax

	Year ended December 31	
	2023	2022
Profit before tax for the year has been arrived at after charging:		
Depreciation of property and equipment	**(848,167)**	(876,737)
Depreciation of right-of-use assets	**(385,111)**	(409,259)
Amortization	**(408,385)**	(406,015)
Depreciation of investment properties	**(398,791)**	(386,086)
Operating lease expenses	**(162,588)**	(117,710)

Principal auditors' remuneration for the year ended December 31, 2023 was RMB34.18 million (for the year ended December 31, 2022: RMB43.75 million).

(Amounts in thousands of RMB, unless otherwise stated)

VI EXPLANATORY NOTES (Continued)

16. Income tax expense

	Year ended December 31	
	2023	2022
Current income tax:		
– PRC Enterprise Income Tax	**(1,497,393)**	(4,701,439)
– PRC Land Appreciation Tax ("LAT")	**(111,104)**	(448,374)
– Hong Kong Profits Tax	**(314,135)**	(426,871)
– Overseas taxation	**(8,356)**	(58,450)
(Underprovision)/Overprovision in prior years	**348,225**	(12,281)
Subtotal	**(1,582,763)**	(5,647,415)
Deferred income tax	**389,929**	2,421,081
Total	**(1,192,834)**	(3,226,334)

The statutory income tax rate applicable to PRC enterprises is 25% for the year (2022: 25%). A subsidiary of the Company set up in the Western Region of the PRC is taxed at 15% (2022: 15%) subject to an annual special approval by the tax bureau.

Hong Kong Profits Tax is calculated at 16.5% (2022: 16.5%) of the estimated assessable profit for the year.

(Amounts in thousands of RMB, unless otherwise stated)

VI EXPLANATORY NOTES (Continued)

16. Income tax expense (Continued)

Reconciliation of profit before tax to income tax expense is as follows:

	Year ended December 31	
	2023	2022
Profit before tax	**8,186,311**	10,457,594
Income tax calculated at the tax rate of 25%	**(2,046,577)**	(2,614,398)
Effect of tax losses and deductible temporary differences not recognized	**(1,125,587)**	(1,639,513)
Tax effect of expenses not deductible for tax purpose (2)	**(166,823)**	(381,180)
LAT	**(111,104)**	(448,374)
Tax effect of LAT	**27,776**	112,093
Tax effect of income not taxable for tax purpose (1)	**1,164,380**	1,106,444
Effect of different tax rates of subsidiaries	**(549,841)**	272,980
Tax effect of share of results of associates and joint ventures	**442,611**	144,923
(Underprovision)/Overprovision in prior years	**348,225**	(12,280)
Adjustment in respect of cost and distribution payment for additional equity instruments	**303,578**	60,251
Effect of utilization of tax losses not previously recognized	**520,528**	172,720
Income tax expense	**(1,192,834)**	(3,226,334)

(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)

17. Earnings per share

The calculation of basic and diluted earnings per share is as follows:

	Year ended December 31	
	2023	2022
Earnings:		
Profit attributable to equity holders of the Company	**5,820,905**	6,313,402
Less: Dividends on preference shares declared and distributed	**597,161**	570,956
Less: Dividends on undated capital bonds declared and distributed	**959,600**	440,000
Profit attributable to ordinary equity holders of the Company	**4,264,144**	5,302,446
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)	**0.11**	0.14
Diluted earnings per share (RMB Yuan)	**0.11**	0.14

There were no potentially dilutive shares outstanding for the years ended December 31, 2023 and December 31, 2022.

(Amounts in thousands of RMB, unless otherwise stated)

VI EXPLANATORY NOTES (Continued)

18. Dividends

	Year ended December 31	
	2023	2022
Final dividend of 2022	**1,894,106**	–
Final dividend of 2021	**–**	3,618,380
Dividends recognized as distribution during the year	**1,894,106**	3,618,380

The resolution on the profit distribution plan for 2022 was duly approved by the shareholders at the Annual General Meeting held on June 20, 2023. In accordance with the plan, the dividend of RMB1,894.11 million was distributed during the year.

(Amounts in thousands of RMB, unless otherwise stated)

VI EXPLANATORY NOTES (Continued)

19. Emoluments of directors and supervisors

	Year ended December 31, 2023			
	Fees	Paid remuneration	All kinds of social insurance, housing funds and annuity schemes	Total (before tax)
Executive directors				
ZHANG Weidong	–	481	230	711
LIANG Qiang	–	481	231	712
ZHAO Limin	–	440	223	663
Non-executive directors				
HE Jieping (1)(2)	–	–	–	–
WANG Shaoshuang (1)	–	–	–	–
CHEN Xiaowu (1)	–	–	–	–
ZHANG Yuxiang (1)	–	–	–	–
TANG Jiang (1)(3)	–	–	–	–
LIU Chong (1)(4)	–	–	–	–
Independent non-executive directors				
LU Zhengfei	250	–	–	250
LAM Chi Kuen	250	–	–	250
WANG Changyun	250	–	–	250
SUN Maosong	250	–	–	250
SHI Cuijun (5)	181	–	–	181
Supervisors				
ZHEN Qinggui	200	–	–	200
LIU Li	200	–	–	200
CAI Xiaoqiang	200	–	–	200
GONG Hongbing (6)	20	–	–	20
LU Baoxing (6)	20	–	–	20
YUAN Liangming (6)	20	–	–	20
ZHOU Lihua (6)	20	–	–	20
Total	1,861	1,402	684	3,947

VI EXPLANATORY NOTES (Continued)

19. Emoluments of directors and supervisors (Continued)

(1) These non-executive directors did not receive any fees from the Company.

(2) He Jieping ceased non-executive director in August 2023.

(3) Tang Jiang ceased non-executive director in March 2023.

(4) Liu Chong ceased non-executive director in November 2023.

(5) Shi Cuijun was nominated as the independent non-executive director in December 2022, which was approved by the 2023 1st extraordinary general meeting in February 2023, and her qualification was approved by the CBIRC in April 2023.

(6) 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, 2023 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, 2022 have been approved by the Annual General Meeting.

During the year, no emolument was paid by the Group to any of the directors, supervisors, key management personnel and the five highest paid individuals as set out in Note VI.20 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. Emoluments of directors and supervisors (Continued)

	Year ended December 31, 2022			
	Fees	Paid remuneration	All kinds of social insurance, housing funds and annuity schemes	Total (before tax)
Executive directors				
ZHANG Weidong (1)	–	481	221	702
LIANG Qiang (2)	–	98	60	158
ZHAO Limin (3)	–	316	168	484
ZHANG Zi'ai (4)	–	196	97	293
Non-executive directors				
HE Jieping (5)	–	–	–	–
WANG Shaoshuang (5)	–	–	–	–
CHEN Xiaowu (5)	–	–	–	–
ZHANG Yuxiang (5)	–	–	–	–
TANG Jiang (5)(6)	–	–	–	–
LIU Chong (5)	–	–	–	–
ZHANG Guoqing (5)(7)	–	–	–	–
Independent non-executive directors				
LU Zhengfei	250	–	–	250
LAM Chi Kuen	250	–	–	250
WANG Changyun (8)	59	–	–	59
SUN Maosong (9)	59	–	–	59
ZHU Wuxiang (10)	180	–	–	180
SUN Baowen (11)	180	–	–	180
Supervisors				
GONG Jiande (12)	–	481	–	481
ZHEN Qinggui	200	–	–	200
LIU Li (13)	102	–	–	102
CAI Xiaoqiang	200	–	–	200
GONG Hongbing (14)	20	–	–	20
LU Baoxing (14)	20	–	–	20
YUAN Liangming (14)	20	–	–	20
ZHOU Lihua (14)(15)	7	–	–	7
ZHANG Zheng (16)	100	–	–	100
Total	1,647	1,572	546	3,765

VI EXPLANATORY NOTES (Continued)

19. Emoluments of directors and supervisors (Continued)

(1) Zhang Weidong was nominated as the chairman by the Board in March 2022, which was approved by the 2021 annual general meeting in June 2022, and his qualification was approved by the CBIRC in August 2022.

(2) Liang Qiang was nominated as an executive director by the Board in October 2022, and his qualification was approved by the fourth extraordinary general meeting in October 2022.

(3) Zhao Limin was nominated as an executive director by the Board in March 2022, which was approved by the second extraordinary general meeting in March 2022, and his qualification was approved by the CBIRC in May 2022.

(4) Zhang Zi'ai ceased to be an executive director in June 2022.

(5) These non-executive directors did not receive any fees from the Company in current year.

(6) Tang Jiang was nominated as an non-executive director by the Board in May 2022, which was approved by the 2021 annual general meeting in June 2022, and his qualification was approved by the CBIRC in September 2022.

(7) Zhang Guoqing ceased non-executive director in September 2022.

(8) Wang Changyun was nominated as an independent non-executive director in May 2022, which was approved by the 2021 annual general meeting in June 2022, and his qualification was approved by the CBIRC in September 2022.

(9) Sun Maosong was nominated as an independent non-executive director in May 2022, which was approved by the 2021 annual general meeting in June 2022, and his qualification was approved by the CBIRC in September 2022.

(10) Zhu Wuxiang ceased to be an independent non-executive in September 2022.

(11) Sun Baowen ceased to be an independent non-executive in September 2022.

(12) Gong Jiande ceased to be a supervisor in December 2022.

(13) Liu Li was elected as a supervisor in June 2022.

(14) The amounts only included fees for their services as employee representative supervisors.

(15) Zhou Lihua was elected as an employee representative supervisor in September 2022.

(16) Zhang Zheng ceased to be a supervisor in June 2022.

(Amounts in thousands of RMB, unless otherwise stated)

VI EXPLANATORY NOTES (Continued)

19. Emoluments of directors and supervisors (Continued)

The total compensation packages for the above executive directors and supervisors for the year ended December 31, 2022 have not yet been finalized in accordance with regulations of the relevant authorities in the PRC. The final compensation will be disclosed in a separate announcement when determined. The total compensation packages for the above executive directors and supervisors for the year ended December 31, 2021 have been approved by the Annual General Meeting.

During the year, no emolument was paid by the Group to any of the directors, supervisors, key management personnel and the five highest paid individuals as set out in Note VI. 20 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.

20. 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.19 Emoluments of directors and supervisors, is as follows:

	Year ended December 31	
	2023	2022
Emoluments of key management personnel		
Paid emoluments	**11,599**	12,190
All kinds of social insurance, housing funds and annuity schemes	**2,696**	2,515
Total (before tax)	**14,295**	14,705

(Amounts in thousands of RMB, unless otherwise stated)

VI EXPLANATORY NOTES (Continued)

20. Key management personnel and five highest paid individuals (Continued)

(1) Key management personnel (Continued)

The number of key management personnel with emoluments within the following bands is as follows:

	Year ended December 31 2023	2022
RMB0 to RMB100,000	**–**	1
RMB100,001 to RMB500,000	**5**	4
RMB1,500,001 to RMB2,000,000	**5**	–
RMB2,000,001 to RMB2,500,000	**–**	5
Total	**10**	10

(2) Five highest paid individuals

The emoluments of the five highest paid individuals whose emoluments were the highest in the Group for the year ended December 31, 2023 were as follows:

	Year ended December 31 2023	2022
Remuneration	**21,376**	26,654
All kinds of social insurance, housing funds and annuity schemes	**1,610**	1,424
Total (before tax)	**22,986**	28,078

(Amounts in thousands of RMB, unless otherwise stated)

VI EXPLANATORY NOTES (Continued)

20. Key management personnel and five highest paid individuals (Continued)

(2) Five highest paid individuals (Continued)

Among the five highest paid individuals in the Group, none of them was a director. The number of these five individuals with emoluments within the following bands is as follows:

	Year ended December 31	
	2023	2022
RMB 3,000,001 to RMB3,500,000	**2**	–
RMB 3,500,001 to RMB4,000,000	**1**	2
RMB 4,500,001 to RMB 5,000,000	**1**	–
RMB 5,000,001 to RMB5,500,000	**–**	1
RMB 6,000,001 to RMB6,500,000	**1**	–
RMB 6,500,001 to RMB7,000,000	**–**	1
RMB 7,500,001 to RMB 8,000,000	**–**	1
Total	**5**	5

(Amounts in thousands of RMB, unless otherwise stated)

VI EXPLANATORY NOTES (Continued)

21. Statement of financial position

	Notes VI	**As at December 31 2023**	2022
Assets			
Cash and balances with central banks	*22*	**522**	2,640
Deposits with banks and financial institutions	*23*	**25,392,346**	37,179,969
Financial assets at fair value through profit or loss	*26*	**394,267,824**	385,554,370
Financial assets held under resale agreements	*27*	**5,747,782**	24,914,111
Financial assets at fair value through other comprehensive income	*28*	**5,028,788**	4,484,509
Financial assets at amortized cost	*30*	**66,540,763**	105,876,967
Accounts receivable	*31*	**1,187,364**	1,921,592
Amounts due from subsidiaries	*32*	**40,706,514**	30,556,758
Investment properties	*34*	**230,158**	246,609
Interests in subsidiaries	*35*	**39,568,579**	39,540,173
Interests in consolidated structured entities	*37*	**65,375,906**	63,276,918
Interests in associates and joint ventures	*38*	**68,587,432**	64,494,202
Property and equipment	*40*	**938,282**	984,786
Other intangible assets	*42*	**29,013**	22,257
Deferred tax assets	*43*	**5,406,566**	6,180,080
Other assets	*44*	**16,525,195**	18,971,996
Total assets		**735,533,034**	784,207,937

(Amounts in thousands of RMB, unless otherwise stated)

VI EXPLANATORY NOTES (Continued)

21. Statement of financial position (Continued)

	Notes VI	**As at December 31 2023**	2022
Liabilities			
Borrowings from central bank	*45*	**986,058**	986,058
Financial liabilities at fair value through profit or loss	*47*	**1,483,959**	95,851
Placements from banks and financial institutions	*49*	**2,781,401**	4,041,048
Borrowings	*50*	**423,014,868**	488,858,073
Accounts payable	*53*	**1,000**	21,000
Tax payable	*54*	**–**	820,012
Bonds issued	*55*	**140,473,077**	125,395,165
Other liabilities	*57*	**12,346,118**	11,800,113
Total liabilities		**581,086,481**	632,017,320
Equity			
Share capital	*58*	**38,164,535**	38,164,535
Other equity instruments	*59*	**32,748,001**	32,748,001
Capital reserve	*60*	**18,480,099**	18,346,091
Other comprehensive income	*61*	**(2,360,543)**	(2,789,588)
Surplus reserve	*62*	**11,259,889**	10,745,514
General reserve	*63*	**11,107,014**	11,107,014
Retained earnings	*64*	**45,047,558**	43,869,050
Total equity		**154,446,553**	152,190,617
Total equity and liabilities		**735,533,034**	784,207,937

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)

22. Cash and balances with central banks

Group

	As at December 31	
	2023	2022
Cash	**523,309**	527,836
Mandatory reserve deposits with central banks (1)	**5,898,288**	6,506,016
Surplus reserve deposits with central banks	**6,469,912**	3,985,369
Other deposits with central banks	**2,345,997**	5,658,155
Total	**15,237,506**	16,677,376
Including:		
Restricted		
– Balances with central banks	**5,898,288**	6,506,016

Company

	As at December 31	
	2023	2022
Cash	**243**	213
Other deposits with central banks	**279**	2,427
Total	**522**	2,640

(1) In accordance with relevant regulations, NCB, a subsidiary of bank operations, is required to place mandatory reserve deposits with the People's Bank of China (the "PBOC") for customer deposits in both RMB and foreign currencies. As at December 31, 2023, the mandatory deposits were calculated at 7% (As at December 31, 2022: 7.5%) of customer deposits denominated in RMB and 4% (As at December 31, 2022: 6%) 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)

23. Deposits with banks and financial institutions

Group

	As at December 31	
	2023	2022
Deposits with banks		
– House accounts	**62,253,340**	74,813,856
– Cash held on behalf of clients	**13,553,130**	15,854,251
Clearing settlement funds		
– House accounts	**699,428**	367,965
– Clients	**2,029,737**	2,257,520
Deposits with other financial institutions		
– House accounts	**3,176,174**	4,465,748
Interest receivable	**285,949**	70,781
Subtotal	**81,997,758**	97,830,121
Less: Allowance for impairment losses	**142**	33
Total	**81,997,616**	97,830,088
Including:		
Restricted funds	**17,999,456**	18,845,774

(Amounts in thousands of RMB, unless otherwise stated)

VI EXPLANATORY NOTES (Continued)

23. Deposits with banks and financial institutions (Continued)

Company

	As at December 31	
	2023	2022
Deposits with banks	**25,170,749**	37,144,398
Interest receivable	**221,597**	35,571
Subtotal	**25,392,346**	37,179,969
Less: Allowance for impairment losses	**–**	–
Total	**25,392,346**	37,179,969

Pledged bank deposits represent deposits that have been pledged to secure bank borrowings. The Group had no pledged bank deposits at the end of 2023 and 2022.

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, 2023, the Group's restricted clearing settlement funds amounted to RMB2,029.74 million (As at December 31, 2022: RMB2,257.52 million).

As at 31 December 2023 and 2022, the Group's Deposits with banks and financial institutions were all in Stage I.

(Amounts in thousands of RMB, unless otherwise stated)

VI EXPLANATORY NOTES (Continued)

24. Deposits with exchanges and others

Group

	As at December 31	
	2023	2022
Shenzhen Stock Exchange	**37,116**	40,681
Shanghai Stock Exchange	**38,763**	91,302
Shanghai Clearing House	**22,802**	22,802
The Stock Exchange of Hong Kong Limited	**4,275**	6,792
National Equities Exchange and Quotations	**1,016**	767
Hong Kong Securities Clearing Company Limited	**283**	316
China Securities Finance Corporation Limited	**416,499**	413,441
China Financial Futures Exchange	**332,132**	300,720
Shanghai Futures Exchange	**526,246**	789,805
Zhengzhou Commodity Exchange	**245,992**	189,689
Dalian Commodity Exchange	**791,693**	464,609
Shanghai International Energy Exchange	**107,911**	13,883
Guangzhou Futures Exchange	**58,783**	150
Others	**38,518**	5
Total	**2,622,029**	2,334,962

The Company had no deposits with exchanges or financial institutions at the end of 2023 and 2022.

(Amounts in thousands of RMB, unless otherwise stated)

VI EXPLANATORY NOTES (Continued)

25. Placements with banks and financial institutions

Group

	As at December 31	
	2023	2022
Banks	**22,032,598**	32,431,571
Other financial institutions	**2,121,000**	1,911,251
Interest receivable	**33,839**	86,116
Subtotal	**24,187,437**	34,428,938
Less: Allowance for impairment losses	**17,652**	3,939
Total	**24,169,785**	34,424,999

As at 31 December 2023 and 2022, the Group's Placements with banks and financial institutions were all in Stage I.

The Company had no placements with banks and financial institutions at the end of 2023 and 2022.

(Amounts in thousands of RMB, unless otherwise stated)

VI EXPLANATORY NOTES (Continued)

26. Financial assets at fair value through profit or loss

Group

	As at December 31	
	2023	2022
Financial assets classified as at fair value through profit or loss		
Listed investments:		
Equity investments	**17,655,325**	16,777,486
Debt securities		
– Corporate bonds	**21,392,428**	17,939,938
– Government bonds	**2,169,521**	3,806,883
– Financial institution bonds	**950,799**	923,193
Funds	**4,028,274**	3,098,537
Corporate convertible bonds	**813,685**	809,683
Asset-backed Securities	**147,282**	217,837
Subtotal	**47,157,314**	43,573,557
Unlisted investments:		
Distressed debt assets	**241,982,055**	233,437,193
Funds	**126,237,081**	116,332,929
Equity investments	**56,675,732**	53,448,574
Trust products and asset management plans	**17,305,026**	26,097,529
Security investments	**12,891,433**	10,299,617
Debt instruments	**11,169,359**	16,264,284
Wealth management products	**2,700,637**	1,776,838
Derivative financial assets (1)	**1,513,374**	1,887,923
Others	**677,809**	377,461
Subtotal	**471,152,506**	459,922,348
Total	**518,309,820**	503,495,905

As at December 31, 2023 and December 31, 2022, the Group's financial assets at fair value through profit or loss included financial assets designated at fair value through profit or loss.

(Amounts in thousands of RMB, unless otherwise stated)

VI EXPLANATORY NOTES (Continued)

26. Financial assets at fair value through profit or loss (Continued)

Group (Continued)

(1) Derivative financial instruments

	As at December 31, 2023			As at December 31, 2022		
	Contractual/ Notional amount	**Fair value Assets**	**Fair value Liabilities**	Contractual/ Notional amount	Fair value Assets	Fair value Liabilities
Exchange rate derivatives						
Spot and forwards, currency swaps, and cross-currency interest rate swaps	**104,641,555**	**850,216**	**(957,760)**	88,059,712	1,051,608	(694,998)
Currency options	**5,925,272**	**82,388**	**(79,330)**	9,073,236	160,233	(155,335)
Subtotal	**110,566,827**	**932,604**	**(1,037,090)**	97,132,948	1,211,841	(850,333)
Interest rate derivatives Interest rate swaps and futures	**39,861,970**	**179,683**	**(145,541)**	71,961,675	536,147	(200,473)
Equity derivatives	**2,299,000**	**377,072**	**–**	835,608	50,857	–
Commodity derivatives and others	**797,899**	**24,015**	**(4,430)**	283,398	89,078	(933)
Total[(i)]	**153,525,696**	**1,513,374**	**(1,187,061)**	170,213,629	1,887,923	(1,051,739)

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 derivative financial assets.

(i) The derivative financial instruments include hedging instruments designated by the Group.

(Amounts in thousands of RMB, unless otherwise stated)

VI EXPLANATORY NOTES (Continued)

26. Financial assets at fair value through profit or loss (Continued)

Company

	As at December 31	
	2023	2022
Financial assets classified as at fair value through profit or loss		
Distressed debt assets	**242,066,411**	232,364,903
Funds	**94,299,780**	87,671,560
Equity investments	**31,393,214**	31,898,536
Debt instruments	**13,312,965**	15,221,453
Trust products and asset management plans	**11,928,556**	17,307,373
Security investments	**607,971**	722,804
Others	**658,927**	367,741
Total	**394,267,824**	385,554,370
Analysed as:		
Listed	**8,362,828**	10,741,071
Unlisted	**385,904,996**	374,813,299

As at December 31, 2023 and December 31, 2022, the Company's Financial assets at fair value through profit or loss included financial assets designated at fair value through profit or loss.

(Amounts in thousands of RMB, unless otherwise stated)

VI EXPLANATORY NOTES (Continued)

27. Financial assets held under resale agreements

Group

	As at December 31	
	2023	2022
By collateral type		
Bonds	**9,234,873**	29,026,362
Stocks	**–**	1,188,846
Interest receivable	**6,896**	11,757
Subtotal	**9,241,769**	30,226,965
Less: Allowance for impairment losses	**2,630**	151,598
Total	**9,239,139**	30,075,367

As at December 31, 2023, the Group's assets held under resale agreements in Stage I, II and III amounted to RMB9,241.77 million, nil and nil, respectively (As at December 31, 2022: RMB29,946.39 million, nil and RMB280.58 million, respectively). The allowance for impairment losses amounted to RMB2.63 million, nil and nil, respectively (As at December 31, 2022: RMB0.90 million, nil and RMB150.70 million, respectively).

Company

	As at December 31	
	2023	2022
By collateral type		
Bonds	**5,746,092**	24,907,088
Interest receivable	**4,114**	7,879
Subtotal	**5,750,206**	24,914,967
Less: Allowance for impairment losses	**2,424**	856
Total	**5,747,782**	24,914,111

As at December 31, 2023 and December 31, 2022, all the Company's assets held under resale agreements were in Stage I.

(Amounts in thousands of RMB, unless otherwise stated)

VI EXPLANATORY NOTES (Continued)

28. Financial assets at fair value through other comprehensive income

Group

	As at December 31	
	2023	2022
Debt investments at fair value through other comprehensive income		
Debt securities		
– Government bonds	**64,967,797**	53,203,597
– Public sector and quasi-government bonds	**4,387,932**	2,776,062
– Financial institution bonds	**63,271,078**	45,663,840
– Corporate bonds	**30,505,738**	22,174,956
Interest receivable	**1,371,007**	1,115,796
Subtotal	**164,503,552**	124,934,251
Equity investments designated as at fair value through other comprehensive income		
Equity instruments	**6,372,306**	5,553,430
Subtotal	**6,372,306**	5,553,430
Total	**170,875,858**	130,487,681

(Amounts in thousands of RMB, unless otherwise stated)

VI EXPLANATORY NOTES (Continued)

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

Group (Continued)

As at December 31, 2023, the Group's debt investments at fair value through other comprehensive income in Stage I, II and III amounted to RMB156,389.04 million, RMB6,542.71 million, RMB192.05 million, respectively (As at December 31, 2022: RMB126,635.51 million, nil, RMB502.57 million, respectively). The allowance for impairment losses amounted to RMB101.64 million, RMB36.81 and RMB186.56 million, respectively (As at December 31, 2022: RMB93.34 million, nil and RMB405.41 million, respectively).

As at December 31, 2023, the Group's 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, 2023, the Group received dividends in the amounts of RMB33.70 million (During the year ended December 31, 2022: RMB4.09 million) from equity investments designated as at fair value through other comprehensive income.

Company

	As at December 31	
	2023	2022
Equity investments designated as at fair value through other comprehensive income		
Equity instruments	**5,028,788**	4,484,509
Total	**5,028,788**	4,484,509

As at December 31, 2023 and December 31, 2022, the Company has no debt investments at fair value through other comprehensive income.

(Amounts in thousands of RMB, unless otherwise stated)

VI EXPLANATORY NOTES (Continued)

29. Loans and advances to customers

Group

	As at December 31	
	2023	2022
At amortized cost		
Corporate loans and advances		
– Loans and advances	**265,824,184**	257,143,142
– Discounted bills	**–**	192,278
Personal loans and advances		
– Mortgages	**24,636,137**	27,193,721
– Personal consumption loans	**21,463,959**	22,791,024
Loans to margin clients	**10,534,152**	9,063,598
Finance lease receivables	**76,567,284**	72,271,287
Subtotal	**399,025,716**	388,655,050
Interest accrued	**3,501,455**	3,712,897
Total loans and advances to customers at amortized cost	**402,527,171**	392,367,947
At fair value through profit or loss		
Corporate loans and advances	**14,973,649**	14,436,617
Total loans and advances to customers	**417,500,820**	406,804,564
Less: Allowance for impairment losses on loans and advances to customers at amortized cost	**14,339,061**	10,274,576
Net loans and advances to customers	**403,161,759**	396,529,988

(Amounts in thousands of RMB, unless otherwise stated)

VI EXPLANATORY NOTES (Continued)

29. Loans and advances to customers (Continued)

Group (Continued)

Loans and advances at amortized cost are as follows:

	Stage I (12-month ECL)	Stage II (12-month ECL)	Stage III (Lifetime ECL-impaired)	Total
As at December 31, 2023				
Gross loans and advances	**356,039,246**	**23,112,322**	**23,375,603**	**402,527,171**
Less: Allowances for impairment losses	**3,672,077**	**2,774,298**	**7,892,686**	**14,339,061**
Net loans and advances to customers	**352,367,169**	**20,338,024**	**15,482,917**	**388,188,110**

	Stage I (12-month ECL)	Stage II (Lifetime ECL)	Stage III (Lifetime ECL-impaired)	Total
As at December 31, 2022				
Gross loans and advances	357,078,476	28,955,020	6,334,451	392,367,947
Less: Allowances for impairment losses	3,720,086	3,090,970	3,463,520	10,274,576
Net loans and advances to customers	353,358,390	25,864,050	2,870,931	382,093,371

(Amounts in thousands of RMB, unless otherwise stated)

VI EXPLANATORY NOTES (Continued)

29. Loans and advances to customers (Continued)

Group (Continued)

The movements of allowance for loans and advances to customers are as follows:

	2023			
	Stage I (12-month ECL)	Stage II (Lifetime ECL)	Stage III (Lifetime ECL-impaired)	Total
As at January 1	3,720,086	3,090,970	3,463,520	10,274,576
Convert to Stage I	73,612	(73,612)	–	–
Convert to Stage II	(165,834)	466,079	(300,245)	–
Convert to Stage III	(863,553)	(1,387,596)	2,251,149	–
Impairment losses recognized	1,661,797	832,229	2,194,553	4,688,579
Impairment losses reversed	(707,351)	(260,728)	(792,282)	(1,760,361)
Stage conversion	(46,686)	106,956	811,736	872,006
Write-off and transfer out	–	–	(2,841,204)	(2,841,204)
Recovery of loans and advances written off in previous years and transfer in	–	–	3,104,199	3,104,199
Unwinding of discount on allowance	–	–	(10,699)	(10,699)
Exchange differences	6	–	11,959	11,965
As at December 31	3,672,077	2,774,298	7,892,686	14,339,061

The gross carrying amount of loans and advances to customers transferred from Stage III to Stage II or from Stage II to Stage I due to the modification of the contractual cash flows in the year of 2023 was not significant.

(Amounts in thousands of RMB, unless otherwise stated)

VI EXPLANATORY NOTES (Continued)

29. Loans and advances to customers (Continued)

Group (Continued)

	2022			
	Stage I (12-month ECL)	Stage II (Lifetime ECL)	Stage III (Lifetime ECL-impaired)	Total
As at January 1	2,697,758	2,326,250	4,573,794	9,597,802
Convert to Stage I	21,144	(21,144)	–	–
Convert to Stage II	(259,740)	325,076	(65,336)	–
Convert to Stage III	(16,944)	(836,624)	853,568	–
Impairment losses recognized	1,764,975	199,783	1,424,656	3,389,414
Impairment losses reversed	(530,509)	(753,708)	(943,471)	(2,227,688)
Stage conversion	(5,743)	1,815,860	298,244	2,108,361
Write-off and transfer out	–	–	(2,801,103)	(2,801,103)
Recovery of loans and advances written off in previous years and transfer in	–	–	46,623	46,623
Unwinding of discount on allowance	–	–	(13,872)	(13,872)
Exchange differences	49,145	35,477	90,417	175,039
As at December 31	3,720,086	3,090,970	3,463,520	10,274,576

The gross carrying amount of loans and advances to customers transferred from Stage III to Stage II or from Stage II to Stage I due to the modification of the contractual cash flows in the year of 2022 was not significant.

(Amounts in thousands of RMB, unless otherwise stated)

VI EXPLANATORY NOTES (Continued)

29. Loans and advances to customers (Continued)

Group (Continued)

Finance lease receivable are analyzed as follow:

	As at December 31 2023	2022
Minimum finance lease receivables:		
Within 1 year (inclusive)	**32,780,778**	30,715,938
1 year to 2 years (inclusive)	**25,422,254**	22,527,710
2 years to 3 years (inclusive)	**15,236,652**	14,936,172
3 years to 4 years (inclusive)	**5,786,070**	6,770,685
4 years to 5 years (inclusive)	**2,894,684**	2,427,663
Over 5 years	**1,241,747**	1,717,919
Gross amount of finance lease receivables	**83,362,185**	79,096,087
Less: Unearned finance income	**6,794,901**	6,824,800
Subtotal	**76,567,284**	72,271,287
Interest accrued	**488,644**	503,488
Net amount of finance lease receivables	**77,055,928**	72,774,775
Less: Allowance for impairment losses	**4,108,608**	3,133,697
Carrying amount of finance lease receivables	**72,947,320**	69,641,078
Present value of minimum lease receivables:		
Within 1 year (inclusive)	**29,896,864**	28,066,195
1 year to 2 years (inclusive)	**23,536,659**	20,559,607
2 years to 3 years (inclusive)	**14,355,193**	13,988,581
3 years to 4 years (inclusive)	**5,439,888**	6,353,173
4 years to 5 years (inclusive)	**2,755,740**	2,274,491
Over 5 years	**1,071,584**	1,532,728
Total	**77,055,928**	72,774,775
Including:		
Finance lease receivables pledged for borrowings	**4,061,513**	6,820,228

The Company had no loans and advances to customers as at December 31, 2023 and 2022.

(Amounts in thousands of RMB, unless otherwise stated)

VI EXPLANATORY NOTES (Continued)

30. Financial assets at amortized cost

Group

	As at December 31	
	2023	2022
Distressed debt assets		
– Acquired from financial institutions	**1,775,690**	4,516,849
– Acquired from non-financial institutions	**63,916,774**	103,471,884
Subtotal	**65,692,464**	107,988,733
Interest accrued	**4,408,287**	5,053,115
Gross of distressed debt assets	**70,100,751**	113,041,848
Less: Allowance for impairment losses	**10,907,745**	13,230,434
Net of distressed debt assets	**59,193,006**	99,811,414
Other debt investments	**63,310,522**	69,922,811
Interest accrued	**2,687,847**	3,247,168
Gross of other debt investments	**65,998,369**	73,169,979
Less: Allowance for impairment losses	**5,441,486**	2,987,083
Net of other debt investments	**60,556,883**	70,182,896
Total	**119,749,889**	169,994,310

(Amounts in thousands of RMB, unless otherwise stated)

VI EXPLANATORY NOTES (Continued)

30. 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, 2023				
Gross distressed debt assets	**37,357,295**	**20,865,167**	**11,878,289**	**70,100,751**
Less: Allowance for impairment losses	**2,073,881**	**3,669,743**	**5,164,121**	**10,907,745**
Net distressed debt assets	**35,283,414**	**17,195,424**	**6,714,168**	**59,193,006**

The changes of gross carrying amounts of the Group were mainly due to the following:

In the year of 2023, the distressed debt assets with a gross carrying amount of RMB14,654 million were transferred from Stage I to Stage II, the gross carrying amount of distressed debt assets transferred from Stage I and Stage II to Stage III was RMB7,495 million, the gross carrying amount of distressed debt assets transferred from Stage II to Stage I was RMB1,844 million and the Group transferred out impaired distressed debt assets with a gross carrying amount of RMB5,343 million.

The Group had no distressed debt assets transferred from Stage III to Stage II or Stage I in the year of 2023.

(Amounts in thousands of RMB, unless otherwise stated)

VI EXPLANATORY NOTES (Continued)

30. Financial assets at amortized cost (Continued)

Group (Continued)

The movements of allowance for distressed debt assets in the year of 2023 are as follows:

	2023			
	Stage I (12-month ECL)	**Stage II (Lifetime ECL)**	**Stage III (Lifetime ECL-impaired)**	**Total**
As at January 1	**3,610,887**	**3,279,209**	**6,340,338**	**13,230,434**
Convert to Stage I	**460,333**	**(460,333)**	**–**	**–**
Convert to Stage II	**(1,213,730)**	**1,213,730**	**–**	**–**
Convert to Stage III	**(64,689)**	**(1,244,414)**	**1,309,103**	**–**
Impairment losses recognized	**689,761**	**141,595**	**1,080,808**	**1,912,164**
Impairment losses reversed	**(931,329)**	**(262,635)**	**(127,479)**	**(1,321,443)**
Stage conversion	**(353,555)**	**1,112,318**	**416,597**	**1,175,360**
Write-off and transfer out	**(123,797)**	**(109,727)**	**(3,392,504)**	**(3,626,028)**
Unwinding of discount on allowance	**–**	**–**	**(462,742)**	**(462,742)**
As at December 31	**2,073,881**	**3,669,743**	**5,164,121**	**10,907,745**

Distressed debt assets are as follows:

	Stage I (12-month ECL)	Stage II (Lifetime ECL)	Stage III (Lifetime ECL-impaired)	Total
As at December 31, 2022				
Gross distressed debt assets	85,736,575	15,694,155	11,611,118	113,041,848
Less: Allowance for impairment losses	3,610,887	3,279,209	6,340,338	13,230,434
Net distressed debt assets	82,125,688	12,414,946	5,270,780	99,811,414

(Amounts in thousands of RMB, unless otherwise stated)

VI EXPLANATORY NOTES (Continued)

30. Financial assets at amortized cost (Continued)

Group (Continued)

The changes of gross carrying amounts of the Group were mainly due to the following:

In the year of 2022, the distressed debt assets with a gross carrying amount of RMB8,129 million were transferred from Stage I to Stage II, the gross carrying amount of distressed debt assets transferred from Stage I and Stage II to Stage III was RMB13,810 million, the gross carrying amount of distressed debt assets transferred from Stage II to Stage I was RMB5,491 million and he Group transferred out impaired distressed debt assets with a gross carrying amount of RMB9,740 million.

The Group had no distressed debt assets transferred from Stage III to Stage II or Stage I in the year of 2022.

The movements of allowance for distressed debt assets in the year of 2022 are as follows:

	2022			
	Stage I (12-month ECL)	Stage II (Lifetime ECL)	Stage III (Lifetime ECL-impaired)	Total
As at January 1	4,517,581	6,635,010	3,307,306	14,459,897
Convert to Stage I	754,954	(754,954)	–	–
Convert to Stage II	(339,733)	339,733	–	–
Convert to Stage III	(46,604)	(2,499,720)	2,546,324	–
Impairment losses recognized	911,065	1,328,074	794,021	3,033,160
Impairment losses reversed	(1,567,077)	(569,282)	(174,056)	(2,310,415)
Stage conversion	(532,426)	1,072,200	5,235,779	5,775,553
Write-off and transfer out	(86,873)	(2,271,852)	(5,115,329)	(7,474,054)
Unwinding of discount on allowance	–	–	(253,707)	(253,707)
As at December 31	3,610,887	3,279,209	6,340,338	13,230,434

(Amounts in thousands of RMB, unless otherwise stated)

VI EXPLANATORY NOTES (Continued)

30. Financial assets at amortized cost (Continued)

Company

	As at December 31	
	2023	2022
Distressed debt assets		
– Acquired from financial institutions	**1,775,690**	4,516,849
– Acquired from non-financial institutions	**63,726,142**	103,281,253
Subtotal	**65,501,832**	107,798,102
Interest accrued	**4,408,287**	5,053,114
Gross of distressed debt assets	**69,910,119**	112,851,216
Less: Allowance for impairment losses	**10,736,837**	13,060,548
Net of distressed debt assets	**59,173,282**	99,790,668
Other debt investments	**8,056,546**	6,177,164
Interest accrued	**219,182**	260,778
Gross of other debt investments	**8,275,728**	6,437,942
Less: Allowance for impairment losses	**908,247**	351,643
Net of other debt investments	**7,367,481**	6,086,299
Total	**66,540,763**	105,876,967

(Amounts in thousands of RMB, unless otherwise stated)

VI EXPLANATORY NOTES (Continued)

30. 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, 2023				
Gross distressed debt assets	**37,357,295**	**20,865,167**	**11,687,657**	**69,910,119**
Less: Allowance for impairment losses	**2,073,881**	**3,669,743**	**4,993,213**	**10,736,837**
Net distressed debt assets	**35,283,414**	**17,195,424**	**6,694,444**	**59,173,282**

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 2023 are as follows:

	2023			
	Stage I (12-month ECL)	Stage II (Lifetime ECL)	Stage III (Lifetime ECL-impaired)	Total
As at January 1	**3,610,887**	**3,279,209**	**6,170,452**	**13,060,548**
Convert to Stage I	**460,333**	**(460,333)**	**–**	**–**
Convert to Stage II	**(1,213,730)**	**1,213,730**	**–**	**–**
Convert to Stage III	**(64,689)**	**(1,244,414)**	**1,309,103**	**–**
Impairment losses recognized	**689,761**	**141,595**	**1,079,786**	**1,911,142**
Impairment losses reversed	**(931,329)**	**(262,635)**	**(127,479)**	**(1,321,443)**
Stage conversion	**(353,555)**	**1,112,318**	**416,597**	**1,175,360**
Write-off and transfer out	**(123,797)**	**(109,727)**	**(3,392,504)**	**(3,626,028)**
Unwinding of discount on allowance	**–**	**–**	**(462,742)**	**(462,742)**
As at December 31	**2,073,881**	**3,669,743**	**4,993,213**	**10,736,837**

(Amounts in thousands of RMB, unless otherwise stated)

VI EXPLANATORY NOTES (Continued)

30. Financial assets at amortized cost (Continued)

Company (Continued)

Distressed debt assets are as follows:

	Stage I (12-month ECL)	Stage II (Lifetime ECL)	Stage III (Lifetime ECL-impaired)	Total
As at December 31, 2022				
Gross distressed debt assets	85,736,574	15,694,155	11,420,487	112,851,216
Less: Allowance for impairment losses	3,610,887	3,279,209	6,170,452	13,060,548
Net distressed debt assets	82,125,687	12,414,946	5,250,035	99,790,668

Refer to the Group for the changes of gross carrying amounts of the Company.

The movements of allowance for distressed debt assets in the year of 2022 are as follows:

	2022			
	Stage I (12-month ECL)	Stage II (Lifetime ECL)	Stage III (Lifetime ECL-impaired)	Total
As at January 1	4,517,581	6,635,010	3,136,406	14,288,997
Convert to Stage I	754,954	(754,954)	–	–
Convert to Stage II	(339,733)	339,733	–	–
Convert to Stage III	(46,604)	(2,499,720)	2,546,324	–
Impairment losses recognized	911,065	1,328,074	794,021	3,033,160
Impairment losses reversed	(1,567,077)	(569,282)	(173,042)	(2,309,401)
Stage conversion	(532,426)	1,072,200	5,235,779	5,775,553
Write-off and transfer out	(86,873)	(2,271,852)	(5,115,329)	(7,474,054)
Unwinding of discount on allowance	–	–	(253,707)	(253,707)
As at December 31	3,610,887	3,279,209	6,170,452	13,060,548

(Amounts in thousands of RMB, unless otherwise stated)

VI EXPLANATORY NOTES (Continued)

31. Accounts receivable

Group

	As at December 31	
	2023	2022
Accounts receivable from sales of properties	**1,938,968**	2,005,376
Accounts receivable relating to distressed debt assets	**746,547**	1,348,581
Commission and fee receivables	**715,586**	909,284
Accounts receivable relating to equity assets	**425,502**	428,008
Others	**627,106**	474,565
Gross of accounts receivable	**4,453,709**	5,165,814
Less: Allowance for impairment losses	**267,000**	362,484
Net of accounts receivable	**4,186,709**	4,803,330

Company

	As at December 31	
	2023	2022
Accounts receivable relating to distressed debt assets	**677,872**	1,293,524
Accounts receivable relating to equity assets	**400,201**	400,008
Others	**286,391**	519,780
Gross of accounts receivable	**1,364,464**	2,213,312
Less: Allowance for impairment losses	**177,100**	291,720
Net of accounts receivable	**1,187,364**	1,921,592

(Amounts in thousands of RMB, unless otherwise stated)

VI EXPLANATORY NOTES (Continued)

31. Accounts receivable (Continued)

The aging analysis of accounts receivable relating to distressed debt assets and debt-to-equity swap assets is as follows:

Group

	As at December 31							
	2023				2022			
	Gross amount	%	Impairment	Carrying amount	Gross amount	%	Impairment	Carrying amount
Within 1 year (inclusive)	185,327	16	(1,034)	184,293	944,578	53	–	944,578
1 year to 2 years (inclusive)	154,711	13	(6,608)	148,103	405,847	23	(118,048)	287,799
2 years to 3 years (inclusive)	405,847	35	(118,059)	287,788	11,927	1	–	11,927
Over 3 years	426,164	36	(42,054)	384,110	414,237	23	(38,614)	375,623
Total	1,172,049	100	(167,755)	1,004,294	1,776,589	100	(156,662)	1,619,927

Company

	As at December 31							
	2023				2022			
	Gross amount	%	Impairment	Carrying amount	Gross amount	%	Impairment	Carrying amount
Within 1 year (inclusive)	143,681	13	(1,034)	142,647	900,032	53	–	900,032
1 year to 2 years (inclusive)	140,900	13	(6,608)	134,292	393,492	23	(118,048)	275,444
2 years to 3 years (inclusive)	393,492	36	(118,059)	275,433	–	–	–	–
Over 3 years	400,000	38	(42,054)	357,946	400,008	24	(38,614)	361,394
Total	1,078,073	100	(167,755)	910,318	1,693,532	100	(156,662)	1,536,870

(Amounts in thousands of RMB, unless otherwise stated)

VI EXPLANATORY NOTES (Continued)

31. Accounts receivable (Continued)

The movements of allowance for impairment losses during the years are as follows:

Group

	Year ended December 31	
	2023	2022
At beginning of the year	**362,484**	278,974
Impairment losses recognized	**118,620**	206,247
Impairment losses reversed	**(184,385)**	(34,521)
Amounts written off and transferred out and others	**(29,719)**	(88,216)
At end of the year	**267,000**	362,484

Company

	Year ended December 31	
	2023	2022
At beginning of the year	**291,720**	290,049
Impairment losses recognized	**18,567**	101,671
Amounts written off and transferred out	**(133,187)**	(100,000)
At end of the year	**177,100**	291,720

32. 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 2023 of the fiscal year.

(Amounts in thousands of RMB, unless otherwise stated)

VI EXPLANATORY NOTES (Continued)

33. Properties held for sale

Group

	As at December 31	
	2023	2022
Completed properties	**25,103,674**	11,842,208
Properties under development	**35,762,347**	37,940,307
Others	**22,870**	12,115
Subtotal	**60,888,891**	49,794,630
Less: Allowance for impairment losses	**2,029,015**	1,919,440
Total	**58,859,876**	47,875,190
Including:		
Pledged for borrowings	**16,045,513**	9,370,731

As at December 31, 2023 and 2022, included in the properties held for sale amounted to RMB8,488 million and RMB12,117 million which represented the carrying amounts of the properties 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 2023 and 2022.

(Amounts in thousands of RMB, unless otherwise stated)

VI EXPLANATORY NOTES (Continued)

34. Investment properties

Group

	Year ended December 31	
	2023	2022
Cost		
At beginning of the year	**11,451,020**	11,246,125
Additions during the year	**213,632**	355
Transfer in/(out)	**(102,314)**	281,288
Disposals	**(62,559)**	(53,334)
Disposal of subsidiaries	**–**	(23,414)
At end of the year	**11,499,779**	11,451,020
Accumulated depreciation		
At beginning of the year	**(2,105,076)**	(1,726,758)
Charge for the year	**(360,903)**	(388,562)
Transfer in/(out)	**28,243**	–
Disposals	**49,378**	467
Disposal of subsidiaries	**–**	9,777
At end of the year	**(2,388,358)**	(2,105,076)
Allowance for impairment losses		
At beginning of the year	**(88,284)**	(92,777)
Charge for the year	**–**	–
Decrease in the year	**18,438**	4,493
At end of the year	**(69,846)**	(88,284)
Net book value		
At beginning of the year	**9,257,660**	9,426,590
At end of the year	**9,041,575**	9,257,660
Net book value of investment properties pledged for borrowings	**2,586,288**	2,609,484

(Amounts in thousands of RMB, unless otherwise stated)

VI EXPLANATORY NOTES (Continued)

34. 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	
	2023	2022
Net book value:		
– on long-term leases (over 50 years)	**1,851,390**	26,128
– on medium-term leases (10 to 50 years)	**7,146,937**	9,045,078
– on short-term leases (less than 10 years)	**43,248**	186,454
Total	**9,041,575**	9,257,660

As at December 31, 2023, the Group's investment properties for which the Group has not obtained a certificate of land use right or certificate of property ownership amounted to RMB15.10 million (As at December 31, 2022: RMB6.68 million).

Company

	Year ended December 31	
	2023	2022
Cost		
At beginning of the year	**448,526**	448,526
At end of the year	**448,526**	448,526
Accumulated depreciation		
At beginning of the year	**(201,917)**	(185,466)
Charge for the year	**(16,451)**	(16,451)
At end of the year	**(218,368)**	(201,917)
Net book value		
At beginning of the year	**246,609**	263,060
At end of the year	**230,158**	246,609

(Amounts in thousands of RMB, unless otherwise stated)

VI EXPLANATORY NOTES (Continued)

34. 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	
	2023	2022
Net book value:		
– on medium-term leases (10 to 50 years)	**230,158**	246,609

35. Interests in subsidiaries

Company

	As at December 31	
	2023	2022
At cost	**39,568,579**	39,540,173
Total	**39,568,579**	39,540,173

(Amounts in thousands of RMB, unless otherwise stated)

VI EXPLANATORY NOTES (Continued)

35. Interests in subsidiaries (Continued)

Company (Continued)

Name of entity	Place of incorporation and operation	Date of incorporation/ establishment	Authorized/paid-in capital as at December 31, 2023	Proportion of ownership held by the Group (1) As at December 31		Proportion of voting rights held by the Group (1) As at December 31		Principal activities
				2023	2022	**2023**	2022	
			(In '000)	*%*	*%*	*%*	*%*	
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
Cinda Securities Co., Ltd.* (d)(I)	Beijing, PRC	September 4, 2007	RMB3,243,000	**78.67**	87.42	**78.67**	87.42	Securities brokerage
Cinda Investment Co., Ltd.*(a)	Beijing, PRC	August 1, 2000	RMB2,000,000	**100.00**	100.00	**100.00**	100.00	Business investment
China Jingu International Trust Co., Ltd.*(f)	Beijing, PRC	April 21, 1993	RMB2,200,000	**93.75**	93.75	**93.75**	93.75	Trust service
Cinda Financial Leasing Co., Ltd.*(f)	Lanzhou, PRC	December 28, 1996	RMB3,505,249	**99.98**	99.92	**99.98**	99.92	Financial leasing
Zhongrun Economic Development Co., Ltd.*(f)	Beijing, PRC	May 8, 2000	RMB30,000	**100.00**	100.00	**100.00**	100.00	Investment management
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	AUD100	**100.00**	100.00	**100.00**	100.00	Asset management
Well Kent International Group Co., Ltd.	Hong Kong, PRC	May 27, 1993	HKD1,000	**100.00**	100.00	**100.00**	100.00	Investment holding
Cinda Financial Holdings Co., Limited	Hong Kong, PRC	August 11, 2015	HKD68,000,001	**100.00**	100.00	**100.00**	100.00	Investment holding
Cinda Futures Co., Ltd. (a)	Hangzhou, PRC	October 5, 1995	RMB600,000	**78.67**	87.42	**100.00**	100.00	Futures and brokerage
Xinfeng Investment Management Co., Ltd. (a)	Beijing, PRC	April 9, 2012	RMB400,000	**78.67**	87.42	**100.00**	100.00	Investment management
Cinda Innovation Investment Co., Ltd. (a)	Beijing, PRC	August 20, 2013	RMB700,000	**78.67**	87.42	**100.00**	100.00	Investment management
Cinda Fund Management Co., Ltd. (b)	Shenzhen, PRC	June 5, 2006	RMB100,000	**42.48**	47.20	**54.00**	54.00	Fund management
Hainan Jianxin Investment Management Co., Ltd. (e)	Haikou, PRC	April 10, 1993	RMB412,500	**100.00**	100.00	**100.00**	100.00	Investment management
Sanya Horizon Industry Co., Ltd. (c)	Sanya, PRC	December 19, 1992	RMB60,000	**51.00**	51.00	**51.00**	51.00	Real estate development

(Amounts in thousands of RMB, unless otherwise stated)

VI EXPLANATORY NOTES (Continued)

35. Interests in subsidiaries (Continued)

Company (Continued)

Name of entity	Place of incorporation and operation	Date of incorporation/ establishment	Authorized/paid-in capital as at December 31, 2023 (In '000)	Proportion of ownership held by the Group (1) As at December 31 2023 %	2022 %	Proportion of voting rights held by the Group (1) As at December 31 2023 %	2022 %	Principal activities
Shanghai Tongda Venture Capital Co., Ltd. (d)(I)(2)	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)(I)	Beijing, PRC	July 20, 1984	RMB2,851,879	**54.45**	54.45	**54.45**	54.45	Real estate development
Changhuai Cinda Real Estate Co., Ltd. (a)	Anhui, PRC	June 8, 2006	RMB5,136,643	**54.45**	54.45	**100.00**	100.00	Real estate development

(Amounts in thousands of RMB, unless otherwise stated)

VI EXPLANATORY NOTES (Continued)

35. Interests in subsidiaries (Continued)

Company (Continued)

Name of entity	Place of incorporation and operation	Date of incorporation/ establishment	Authorized/paid-in capital as at December 31, 2023	Proportion of ownership held by the Group (1) As at December 31		Proportion of voting rights held by the Group (1) As at December 31		Principal activities
				2023	2022	**2023**	2022	
			(In '000)	*%*	*%*	*%*	*%*	
Cinda Jianrun Real Estate Co., Ltd. (b)	Beijing, PRC	December 28, 2007	RMB200,000	**70.00**	70.00	**70.00**	70.00	Real estate development
Cinda Securities (H.K.) Holdings Limited	Hong Kong, PRC	September 5, 2022	HKD64,426	**78.67**	87.42	**100.00**	100.00	Investment holding
Beijing Cinda Shiyuxin Investment Management Co., Ltd. (a)	Beijing, PRC	May 11, 2015	RMB10,000	**54.45**	54.45	**100.00**	100.00	Asset management
Beijing Cinda Real Estate Development Co., Ltd. (a)	Beijing, PRC	September 14, 2015	RMB10,000	**54.45**	54.45	**100.00**	100.00	Real estate development
Jade Aviation LLC	Cayman Islands/ Ireland	January 11, 2018	USD87,440	**80.00**	80.00	**80.00**	80.00	Aircraft leasing
China Cinda (2020) I Management Limited	BVI/ Hong Kong, PRC	November 26, 2019	USD10	**100.00**	100.00	**100.00**	100.00	Capital raising (debt issuing)

The above table lists the principal subsidiaries of the Company. To give details of other subsidiaries would, in the opinion of management, result in particulars of excessive length.

VI EXPLANATORY NOTES (Continued)

35. Interests in subsidiaries (Continued)

Company (Continued)

* These subsidiaries are directly held by the Company.

(a) This entity is registered as a solely invested by a corporation limited liability company under the PRC laws.

(b) This entity is registered as a Sino-foreign joint venture limited liability company under the PRC laws.

(c) This entity is registered as a mainland joint venture with a Hong Kong, Macao or Taiwan limited liability company under the PRC laws.

(d) This entity is registered as a listed joint stock limited company under the PRC laws.

(e) This entity is registered as an unlisted joint stock limited company under the PRC laws.

(f) This entity is registered as other limited liability company under the PRC laws.

(I) The shares of these subsidiaries are listed in Mainland China.

(1) The percentage of voting rights is combined by a direct holding percentage and an indirect controlling percentage of the subsidiaries. The percentage of ownership is the multiple of the holding percentages of different control levels.

(2) The Group's shareholding in Shanghai Tongda Venture Capital Co., Ltd. ("Shanghai Tongda") is less than 50%, but the shareholding percentage of other shareholders is widely dispersed. Moreover, according to the corporate charter, the Board's resolutions must be approved by more than half of all the directors, and the Group takes three of the four seats of Shanghai Tongda's Board. Therefore, Shanghai Tongda is accounted for as a subsidiary of the Company.

(Amounts in thousands of RMB, unless otherwise stated)

VI EXPLANATORY NOTES (Continued)

36. Non-controlling interests in the subsidiaries of the Group

Cinda Real Estate Co., Ltd. ("Cinda Real Estate") is a subsidiary which has significant non-controlling interests in the consolidated financial statements of the Group.

General information about Cinda Real Estate has been set out in Note VI.35 Interests in subsidiaries. The financial information about Cinda Real Estate before intra-group eliminations is as follows:

Cinda Real Estate

	As at December 31	
	2023	2022
Current assets	**54,884,097**	67,270,573
Non-current assets	**27,770,956**	21,135,523
Current liabilities	**25,323,662**	37,081,090
Non-current liabilities	**32,059,758**	26,228,163
Total equity	**25,271,633**	25,096,843
Non-controlling interests of the subsidiary	**11,478,080**	11,910,587

	Year ended December 31	
	2023	2022
Total revenue	**11,420,073**	18,248,095
Profit before tax	**875,567**	1,471,019
Total comprehensive income	**601,710**	575,040
Profit attributable to non-controlling interests of the subsidiary during the year	**318,708**	303,338
Dividend distribution to non-controlling interests	**215,579**	195,387

	Year ended December 31	
	2023	2022
Net cash flow from operating activities	**712,494**	1,840,132
Net cash flow from investing activities	**696,930**	(1,472,244)
Net cash flow from financing activities	**(4,153,794)**	1,254,589
Net Increase/(Decrease) in cash and cash equivalents	**(2,744,370)**	1,622,477

VI EXPLANATORY NOTES (Continued)

37. Interests in consolidated structured entities

The Group had consolidated certain structured entities including private equity funds, trusts, and asset management plans. To determine whether to consolidate these entities, the Group uses the following judgements:

(1) For the private equity funds where the Group is involved as both general partner and limited partner and has power over the structured entities, 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.

(2) For the trusts or asset management plans where the Group is involved as manager or trustee and also as investor, and has power over the structured entities, 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.

(3) For the private equity funds, trusts and asset management plans, to which the Group has power over the structured entities and 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.

(Amounts in thousands of RMB, unless otherwise stated)

VI EXPLANATORY NOTES (Continued)

37. 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 2023 *(In RMB'000)*	Proportion of interests held by the Group As at December 31 2023 %	2022 %	Principal activities
Shenzhen Guowei Equity Investment Center (Limited Partnership)	13,500,000	**55.56**	55.56	Investment management
Wuhu Ruyi Xinbo Investment Partnership (Limited Partnership)	8,683,215	**32.51**	32.51	Investment management
Cinda Sino-Rock Investment (Cayman) Limited	7,101,985	**91.32**	43.16	Investment management
Ningbo Meishan Bonded Port Area Jusheng Jiada Investment Partnership (Limited Partnership)	5,746,898	**80.86**	80.86	Investment management
Shenzhen Zhengxin Century Investment Enterprise (limited Partnership)	5,446,495	**87.07**	87.07	Investment management
Jingu•Borui Single Capital Trust No.[95]	4,488,000	**100.00**	100.00	Trust
Wuhu Xinshi Heli Investment Management Partnership (Limited Partnership)	3,995,592	**100.00**	100.00	Investment management
Jingu•Borui Assembled Capital Trust No.[94]	3,546,571	**100.00**	100.00	Trust
Wuhu Tonghui Investment Partnership (Limited Partnership)	3,118,068	**100.00**	100.00	Investment management
Ningbo Meishan Bonded Port Jinxin Tai Run Investment Partnership (Limited Partnership)	2,583,250	**99.92**	99.92	Investment management
Wuhu Guangjiao Huizhan Investment Partnership (Limited Partnership)	2,582,122	**100.00**	100.00	Investment management
Wuhu Xinda Lowering Leverage Investment Management Partnership (L.P.)	2,500,000	**100.00**	100.00	Investment management
Jingu•Shenzhen Baoneng Motor Single Capital Trust	2,288,865	**100.00**	100.00	Trust
Jingu•Jinxin Capital Trust No.[3]	1,900,000	**100.00**	100.00	Trust
Jingu•Xinyuan Assembled Capital Trust	1,785,140	**92.19**	–	Trust

(Amounts in thousands of RMB, unless otherwise stated)

VI EXPLANATORY NOTES (Continued)

37. Interests in consolidated structured entities (Continued)

Name of structured entity	Paid-in capital/size of trust plan As at December 31 2023 (In RMB'000)	Proportion of interests held by the Group As at December 31 2023 %	2022 %	Principal activities
Beijing Trust•Runsheng Wealth Management Capital Trust No.[077]	1,515,000	**99.43**	99.43	Trust
Jingu•Jinxiang Special Asset Survice Trust No.[2]	1,500,000	**100.00**	100.00	Trust
Jingu•Ruiyuan Capital Trust No.[29]	1,499,680	**100.00**	100.00	Trust
Jingu•Jinzhao Capital Trust No.[20]	1,499,562	**100.00**	–	Trust
Jingu•Jinzhao Capital Trust No.[18]	1,498,058	**100.00**	–	Trust

The financial impact of each of the private equity funds, trusts, asset management plans on the Group's financial position as at December 31, 2023 and 2022, and results and cash flows for the years ended December 31, 2023 and 2022, though consolidated, were not significant and therefore were not disclosed separately.

Interests in all consolidated structured entities directly held by the Company amounted to RMB65,375.91 million and RMB63,276.92 million at December 31, 2023 and 2022, 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.

(Amounts in thousands of RMB, unless otherwise stated)

VI EXPLANATORY NOTES (Continued)

38. Interests in associates and joint ventures

Group

	As at December 31	
	2023	2022
Interests in associates		
Carrying amount of unlisted companies	**46,561,469**	44,092,824
Carrying amount of listed companies	**28,216,719**	27,879,380
Allowance for impairment losses	**(1,373,191)**	(1,705,845)
Net carrying amounts of associates	**73,404,997**	70,266,359
Interests in joint ventures		
Carrying amount of unlisted companies	**18,787,412**	17,783,254
Allowance for impairment losses	**(507,379)**	(507,379)
Net carrying amounts of joint ventures	**18,280,033**	17,275,875
Net carrying amounts	**91,685,030**	87,542,234

Company

	As at December 31	
	2023	2022
Interests in associates		
Carrying amount of unlisted companies	**41,461,350**	37,636,158
Carrying amount of listed companies	**19,786,831**	19,890,043
Allowance for impairment losses	**(500,000)**	(853,449)
Net carrying amounts of associates	**60,748,181**	56,672,752
Interests in joint ventures		
Carrying amount of unlisted companies	**7,839,251**	7,821,450
Allowance for impairment losses	**–**	–
Net carrying amounts of joint ventures	**7,839,251**	7,821,450
Net carrying amounts	**68,587,432**	64,494,202

(Amounts in thousands of RMB, unless otherwise stated)

VI EXPLANATORY NOTES (Continued)

38. Interests in associates and joint ventures (Continued)

Name of entity	Place of incorporation/ establishment principal activities	Authorized/ paid-in capital As at December 31	Book value As at December 31		Proportion of equity interests held by the Group As at December 31		Proportion of voting power held by the Group As at December 31		Principal activities
		2023	2023	2022	2023	2022	2023	2022	
		(In'000)	*(In'000)*	*(In'000)*	%	%	%	%	
Shenhua Group Zhungeer Energy Co., Ltd.	Ordos, PRC	RMB7,102,343	**19,796,056**	18,681,664	**42.24**	42.24	**42.24**	42.24	Coal mining
Wengfu Group Co., Ltd. (1)	Guiyang, PRC	RMB4,609,091	**5,734,956**	5,040,654	**32.74**	32.74	**32.74**	32.74	Chemical materials and products
Yancoal Australia Ltd. (2)	Australia	AUD6,698,000	**5,441,143**	5,208,499	**11.87**	13.06	**11.87**	13.06	Coal mining
Founder Securities Co., Ltd. (3)	Changsha, PRC	RMB8,232,101	**5,218,569**	5,718,688	**7.62**	8.62	**7.62**	8.62	Securities brokerage
China Nuclear Engineering Co., Ltd. (4)	Shanghai, PRC	RMB2,648,648	**4,015,809**	4,096,470	**10.24**	11.68	**10.24**	11.68	Construction
Shenzhen Tencent Cinda Limited Partnership (Limited Partnership) (5)	Shenzhen, PRC	RMB11,007,330	**4,229,925**	4,176,330	**36.35**	36.35	**50.00**	50.00	Investment holding
Huainan Mining (Group) Co., Ltd. (6)	Huainan, PRC	RMB18,102,549	**3,916,016**	3,694,849	**8.32**	8.32	**8.32**	8.32	Coal mining
Xishan Coal Electricity Group Co., Ltd. (7)	Taiyuan, PRC	RMB9,250,327	**3,652,156**	1,722,947	**41.14**	41.14	**41.14**	41.14	Coal mining
Kailuan Energy Chemical Co., Ltd.	Tangshan, PRC	RMB1,587,800	**3,204,642**	3,250,638	**21.16**	21.16	**21.16**	21.16	Coal mining
Xinjiang Chang Yuan Water Group Co., Ltd.	Urumqi, PRC	RMB800,000	**2,026,868**	2,018,112	**51.00**	51.00	**51.00**	51.00	Tap water sale
China Shipbuilding Industry Group Power Co., Ltd. (8)	Baoding, PRC	RMB2,186,718	**1,814,452**	1,958,765	**4.86**	5.47	**4.86**	5.47	Manufacturing
Baiyin Nonferrous Group Co., Ltd. (9)	Baiyin, PRC	RMB7,404,775	**1,430,935**	1,511,966	**4.63**	4.63	**4.63**	4.63	Mining
Gansu Energy Chemical Co., Ltd. (10)	Baiyin, PRC	RMB4,611,017	**1,345,110**	–	**8.59**	–	**8.59**	–	Coal mining
Ningxia Western Venture Industrial Co., Ltd. (11)	Yinchuan, PRC	RMB1,458,375	**1,116,667**	1,124,496	**13.34**	13.78	**13.34**	13.78	Transportation
Mongolia Boyuan Yingen Mining Co., Ltd. (12)	Alxa League, PRC	RMB279,297	**1,062,076**	–	**4.16**	–	**4.16**	–	Mining

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.

VI EXPLANATORY NOTES (Continued)

38. Interests in associates and joint ventures (Continued)

(1) The Company can exercise significant influence on the financial and operating policy decision of Wengfu Group Co., Ltd. by appointing five directors to its board of directors. The Company accounts for this investment by equity method as an associate.

(2) The Group can exercise significant influence on the financial and operating policy decision of Yancoal Australia Ltd. by appointing a director to its board of directors. The Group accounts for this investment by equity method as an associate.

(3) The Company can exercise significant influence on the financial and operating policy decision of Founder Securities Co., Ltd. by appointing a director to its board of directors. The Company accounts for this investment by equity method as an associate.

(4) The Company can exercise significant influence on the financial and operating policy decision of China Nuclear Engineering Co., Ltd. by appointing a director to its board of directors as the second largest shareholder.The Company accounts for this investment by equity method as an associate.

(5) The Group has joint control on the financial and operating policy decision of the partnership with other parties under the contractual agreement in Shenzhen Tencent Cinda Limited Partnership (Limited Partnership). The Group accounts for this investment by equity method as a joint venture.

(6) The Company can exercise significant influence on the financial and operating policy decision of Huainan Mining (Group) Co., Ltd. by appointing a director to its board of directors. The Company accounts for this investment by equity method as an associate.

(7) The Company can exercise significant influence on the financial and operating policy decision of Xishan Coal Electricity Group Co., Ltd. by appointing five directors to its board of directors and accrediting two supervisors to its board of supervisors. The Company accounts for this investment by equity method as an associate.

(8) The Company can exercise significant influence on financial and operating policy decision of China Shipbuilding Industry Group Power Co., Ltd. by appointing a director to its board of directors. The Company accounts for this investment by equity method as an associate.

(9) The Company can exercise significant influence on financial and operating policy decision of Baiyin Nonferrous Group Co., Ltd. by appointing a director to its board of directors. The Company accounts for this investment by equity method as an associate.

(10) The Company can exercise significant influence on financial and operating policy decision of Gansu Energy Chemical Co., Ltd. by appointing a director to its board of directors. The Company accounts for this investment by equity method as an associate.

(11) The Company can exercise significant influence on financial and operating policy decision of Ningxia Western Venture Industrial Co., Ltd. by appointing a director to its board of directors. The Company accounts for this investment by equity method as an associate.

(12) The Company can exercise significant influence on financial and operating policy decision of Inner Mongolia Boyuan Yingen Mining Co., Ltd. by appointing 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)

39. 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.37 Interests in consolidated structured entities. The unconsolidated structured entities include private equity funds, trust products, asset management plans and mutual funds, etc. The interests held by the Group in the unconsolidated structured entities are set out as below.

As at December 31, 2022, the maximum exposure to risk and the book value of relevant investments of the Group rising from the interests held in directly invested structured entities that are sponsored by the Group or the third party financial institutions are set out as below:

	December 31, 2023		December 31, 2022	
	Carrying amount	**Maximum exposure to risk**	Carrying amount	Maximum exposure to risk
Financial assets at fair value through profit or loss	**158,937,222**	**158,937,222**	141,044,962	141,044,962
Financial assets at amortized cost	**15,315,705**	**15,315,705**	26,190,999	26,190,999
Interests in associates and joint ventures	**11,641,349**	**11,641,349**	13,087,862	13,087,862

In 2023, the Group obtained management fee, commission and performance fee amounting to RMB2,107.86 million (2022: RMB1,833.78 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)

40. Property and equipment

Group

	Buildings	Aircrafts	Machinery and equipment	Electronic equipment and furniture	Motor vehicles	Construction in progress	Total
Cost							
As at January 1, 2023	12,098,254	5,005,528	335,747	934,424	193,007	139,770	18,706,730
Acquisition of subsidiaries	–	–	1,215	7,637	1,044	176,728	186,624
Additions	16,563	–	16,491	95,961	10,993	37,602	177,610
Disposals of subsidiaries	–	–	–	–	–	–	–
Disposals	(170,331)	–	(5,309)	(48,247)	(25,245)	(60,983)	(310,115)
Construction in progress transfer in/(out)	13,301	–	756	10,590	–	(7,685)	16,962
Transfer in/(out)	94,892	(86,930)	(113,809)	129,409	2,402	–	25,964
Exchange differences	92,278	(145,733)	1,051	1,405	116	2,608	(48,275)
As at December 31, 2023	12,144,957	4,772,865	236,142	1,131,179	182,317	288,040	18,755,500
Accumulated depreciation							
As at January 1, 2023	(3,008,504)	(762,322)	(240,404)	(701,643)	(131,931)	–	(4,844,804)
Acquisition of subsidiaries	–	–	(1,170)	(2,213)	(726)	–	(4,109)
Charge for the year	(470,222)	(233,592)	(12,990)	(103,968)	(13,050)	–	(833,822)
Disposals of subsidiaries	–	–	–	–	–	–	–
Disposals	16,348	–	4,554	44,375	23,535	–	88,812
Transfer (in)/out	(57,837)	–	84,067	(61,860)	3,419	–	(32,211)
Exchange differences	(16,884)	270,185	(714)	(929)	(99)	–	251,559
As at December 31, 2023	(3,537,099)	(725,729)	(166,657)	(826,238)	(118,852)	–	(5,374,575)
Allowance for impairment losses							
As at January 1, 2023	(6,122)	(88,721)	(16)	–	(238)	(484)	(95,581)
Charge for the year	–	(9,387)	–	–	–	–	(9,387)
Written-offs during the year	–	–	–	–	–	–	–
Exchange difference	(4)	(1,541)	–	–	–	–	(1,545)
As at December 31, 2023	(6,126)	(99,649)	(16)	–	(238)	(484)	(106,513)
Net book value							
As at January 1, 2023	9,083,628	4,154,485	95,327	232,781	60,838	139,286	13,766,345
As at December 31, 2023	8,601,732	3,947,487	69,469	304,941	63,227	287,556	13,274,412
Including:							
Net book value of assets pledged as at December 31, 2023	117,704	1,906,510	–	–	–	–	2,024,214

(Amounts in thousands of RMB, unless otherwise stated)

VI EXPLANATORY NOTES (Continued)

40. 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, 2022	13,999,357	4,784,367	318,761	854,037	215,269	40,402	20,212,193
Acquisition of subsidiaries	–	–	–	178	–	–	178
Additions	1,126,485	–	20,153	140,702	14,217	176,417	1,477,974
Disposals of subsidiaries	(2,223)	–	(1,929)	(3,971)	(1,371)	–	(9,494)
Disposals	(3,728,746)	–	(16,821)	(69,619)	(35,976)	–	(3,851,162)
Construction in progress transfer in/(out)	32,718	–	9,821	3,960	–	(81,908)	(35,409)
Transfer in/(out)	(40,142)	–	–	1,433	–	–	(38,709)
Exchange differences	710,805	221,161	5,762	7,704	868	4,859	951,159
As at December 31, 2022	12,098,254	5,005,528	335,747	934,424	193,007	139,770	18,706,730
Accumulated depreciation							
As at January 1, 2022	(3,029,949)	(505,051)	(222,137)	(676,721)	(152,185)	–	(4,586,043)
Acquisition of subsidiaries	–	–	–	(71)	–	–	(71)
Charge for the year	(521,672)	(229,137)	(31,068)	(76,968)	(12,630)	–	(871,475)
Disposals of subsidiaries	841	–	1,231	2,714	430	–	5,216
Disposals	667,267	–	15,521	54,495	33,148	–	770,431
Exchange differences	(124,991)	(28,134)	(3,951)	(5,092)	(694)	–	(162,862)
As at December 31, 2022	(3,008,504)	(762,322)	(240,404)	(701,643)	(131,931)	–	(4,844,804)
Allowance for impairment losses							
As at January 1, 2022	(1,608)	(72,555)	(16)	–	(346)	(484)	(75,009)
Charge for the year	–	(9,183)	–	–	–	–	(9,183)
Written-offs during the year	(4,493)	–	–	–	108	–	(4,385)
Exchange difference	(21)	(6,983)	–	–	–	–	(7,004)
As at December 31, 2022	(6,122)	(88,721)	(16)	–	(238)	(484)	(95,581)
Net book value							
As at January 1, 2022	10,967,800	4,206,761	96,608	177,316	62,738	39,918	15,551,141
As at December 31, 2022	9,083,628	4,154,485	95,327	232,781	60,838	139,286	13,766,345
Including:							
Net book value of assets pledged							
As at December 31, 2022	30,255	2,030,497	–	–	–	–	2,060,752

(Amounts in thousands of RMB, unless otherwise stated)

VI EXPLANATORY NOTES (Continued)

40. Property and equipment (Continued)

Group (Continued)

As at December 31, 2023 and 2022, the original cost of the fully depreciated property and equipment that were still in use amounted to RMB741.44 million and RMB490.86 million, respectively.

As at December 31, 2023 and 2022, the Group's property and equipment for which the Group has not obtained a certificate of property ownership amounted to RMB401.24 million and RMB470.67 million, respectively.

The net book value of buildings located on land with the following remaining lease terms are as follows:

	As at December 31	
	2023	2022
Net book value:		
– on long-term leases (over 50 years)	**2,091,525**	2,140,700
– on medium-term leases (10 to 50 years)	**6,302,844**	6,642,043
– on short-term leases (less than 10 years)	**207,363**	300,885
Total	**8,601,732**	9,083,628

(Amounts in thousands of RMB, unless otherwise stated)

VI EXPLANATORY NOTES (Continued)

40. Property and equipment (Continued)

Company

	Buildings	Machinery and equipment	Electronic equipment and furniture	Motor vehicles	Construction In progress	Total
Cost						
As at January 1, 2023	1,057,609	104,338	390,318	96,006	8	1,648,279
Additions	–	106	39,274	7,065	21,774	68,219
Disposals	(39,117)	(20)	(12,621)	(8,826)	–	(60,584)
As at December 31, 2023	1,018,492	104,424	416,971	94,245	21,782	1,655,914
Accumulated depreciation						
As at January 1, 2023	(220,229)	(75,099)	(298,804)	(69,361)	–	(663,493)
Charge for the year	(33,813)	(4,319)	(42,124)	(6,402)	–	(86,658)
Disposals	11,594	1	12,425	8,499	–	32,519
As at December 31, 2023	(242,448)	(79,417)	(328,503)	(67,264)	–	(717,632)
Net book value						
As at January 1, 2023	837,380	29,239	91,514	26,645	8	984,786
As at December 31, 2023	776,044	25,007	88,468	26,981	21,782	938,282

(Amounts in thousands of RMB, unless otherwise stated)

VI EXPLANATORY NOTES (Continued)

40. Property and equipment (Continued)

Company (Continued)

	Buildings	Machinery and equipment	Electronic equipment and furniture	Motor vehicles	Construction In progress	Total
Cost						
As at January 1, 2022	1,057,609	104,341	360,086	99,243	–	1,621,279
Additions	–	20	48,909	7,234	8	56,171
Disposals	–	(23)	(18,677)	(10,471)	–	(29,171)
As at December 31, 2022	1,057,609	104,338	390,318	96,006	8	1,648,279
Accumulated depreciation						
As at January 1, 2022	(185,371)	(67,891)	(281,089)	(73,008)	–	(607,359)
Charge for the year	(34,867)	(7,230)	(35,755)	(6,061)	–	(83,913)
Disposals	9	22	18,040	9,708	–	27,779
As at December 31, 2022	(220,229)	(75,099)	(298,804)	(69,361)	–	(663,493)
Net book value						
As at January 1, 2022	872,238	36,450	78,997	26,235	–	1,013,920
As at December 31, 2022	837,380	29,239	91,514	26,645	8	984,786

As at December 31, 2023 and 2022, the original cost of the fully depreciated property and equipment that were still in use amounted to RMB330.35 million and RMB312.06 million, respectively.

The net book value of buildings located on land with the following remaining lease terms are as follows:

	As at December 31	
	2023	2022
Net book value:		
– on medium-term leases (10 to 50 years)	**775,935**	837,380
– on short-term leases (within 10 years)	**109**	–
Total	**776,044**	837,380

(Amounts in thousands of RMB, unless otherwise stated)

VI EXPLANATORY NOTES (Continued)

41. Goodwill

Group

	As at December 31	
	2023	2022
Carrying amount		
At beginning of the year	**24,616,355**	22,660,148
Exchange differences and others	**423,760**	1,956,207
At end of the year	**25,040,115**	24,616,355
Allowance for impairment losses		
At beginning of the year	**(1,238,068)**	(1,238,068)
Charge for the year	**(638,000)**	–
Exchange differences	**(3,631)**	–
At end of the year	**(1,879,699)**	(1,238,068)
Net book value		
At beginning of the year	**23,378,287**	21,422,080
At end of the year	**23,160,416**	23,378,287

VI EXPLANATORY NOTES (Continued)

41. Goodwill (Continued)

Group (Continued)

The goodwill acquired from business combination is assessed for impairment at each annual financial reporting date. The recoverable amount is the higher of an asset's fair value less costs of disposal and the present value of the estimated future cash flow expected to be derived from the asset (value in use, "VIU").

The goodwill acquired through the business combination of NCB in 2016, which was accounted for as the major portion of the Group's goodwill as of December 31, 2023, is allocated to the NCB cash-generating units ("CGU") for impairment testing. The Group compared the fair value less costs of disposal and the VIU of the CGU, and the recoverable amount of the CGU was determined as its VIU.

The recoverable amount of the NCB CGU 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 approved by senior management and a forward speculated 5-year period. As of December 31, 2023, the net carrying amount of the goodwill was RMB22,785 million (December 31, 2022: RMB23,093 million), with a cost of RMB23,427 million and an accumulated impairment of RMB642 million. The Group accrued goodwill impairment losses of RMB638 million during the year ended December 31, 2023.

Impairment resulted from a combination of factors, including our macroeconomic outlook and a corresponding judgement to reduce the cashflow forecast for the future 10-year period.

The stable growth rate used to extrapolate the cash flows of NCB CGU beyond the 10-year period are fixed at 1.20% (for the year ended December 31, 2022: 1.20%) (Hong Kong) and 1.90% (for the year ended December 31, 2022: 2.53%) (Mainland China), respectively, which does not exceed the long-term average growth rate of the banking industry. The pre-tax discount rates applied to the goodwill impairment testing are 10.47% (for the year ended December 31, 2022: 10.90%) (Hong Kong) and 10.43% (for the year ended December 31, 2022: 11.06%) (Mainland China), respectively.

For the goodwill impairment testing, the Group makes the following assumptions on the key hypothesis in the process of cash flow projection: 1) Discount rate: pre-tax discount rate reflecting the specific risk of the relevant cash-generating units; 2) Cash flow's growth rate: based on both the past performance and the projection of market development. The information used by the Group in determining these key assumptions is consistent with external and internal information.

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (Continued)

42. 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, 2023	23,817	1,531,825	617,195	3,766,893	8,147	5,947,877
Disposals of subsidiaries	–	–	–	–	–	–
Additions	–	456,003	–	–	–	456,003
Disposals	–	(60,232)	–	–	–	(60,232)
Exchange differences	17	6,995	8,948	54,610	118	70,688
Others	–	10,083	5,056	–	–	15,139
As at December 31, 2023	23,834	1,944,674	631,199	3,821,503	8,265	6,429,475
Accumulated amortization						
As at January 1, 2023	–	(757,961)	–	(1,239,937)	(5,292)	(2,003,190)
Charge for the year	–	(171,271)	–	(189,994)	(811)	(362,076)
Disposals of subsidiaries	–	–	–	–	–	–
Disposals	–	2,250	–	–	–	2,250
Exchange differences	–	(833)	–	(19,057)	(81)	(19,971)
Others	–	(3,167)	(21)	–	–	(3,188)
As at December 31, 2023	–	(930,982)	(21)	(1,448,988)	(6,184)	(2,386,175)
Net book value						
As at January 1, 2023	23,817	773,864	617,195	2,526,956	2,855	3,944,687
As at December 31, 2023	23,834	1,013,692	631,178	2,372,515	2,081	4,043,300

(Amounts in thousands of RMB, unless otherwise stated)

VI EXPLANATORY NOTES (Continued)

42. 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, 2022	23,717	1,056,560	564,912	3,447,795	7,457	5,100,441
Disposals of subsidiaries	–	(1,861)	–	–	–	(1,861)
Additions	–	457,630	–	–	–	457,630
Disposals	–	(2,245)	–	–	–	(2,245)
Exchange differences	100	18,725	52,283	319,098	690	390,896
Others	–	3,016	–	–	–	3,016
As at December 31, 2022	23,817	1,531,825	617,195	3,766,893	8,147	5,947,877
Accumulated amortization						
As at January 1, 2022	–	(614,197)	–	(962,510)	(4,108)	(1,580,815)
Charge for the year	–	(138,265)	–	(181,918)	(776)	(320,959)
Disposals of subsidiaries	–	1,504	–	–	–	1,504
Disposals	–	1,475	–	–	–	1,475
Exchange differences	–	(7,045)	–	(95,509)	(408)	(102,962)
Others	–	(1,433)	–	–	–	(1,433)
As at December 31, 2022	–	(757,961)	–	(1,239,937)	(5,292)	(2,003,190)
Net book value						
As at January 1, 2022	23,717	442,363	564,912	2,485,285	3,349	3,519,626
As at December 31, 2022	23,817	773,864	617,195	2,526,956	2,855	3,944,687

(Amounts in thousands of RMB, unless otherwise stated)

VI EXPLANATORY NOTES (Continued)

42. Other intangible assets (Continued)

Company

	Computer software systems and others	Total
Cost		
As at January 1, 2023	**137,083**	**137,083**
Additions	**19,633**	**19,633**
As at December 31, 2023	**156,716**	**156,716**
Accumulated amortization		
As at January 1, 2023	**(114,826)**	**(114,826)**
Charge for the year	**(12,877)**	**(12,877)**
As at December 31, 2023	**(127,703)**	**(127,703)**
Net book value		
As at January 1, 2023	**22,257**	**22,257**
As at December 31, 2023	**29,013**	**29,013**

(Amounts in thousands of RMB, unless otherwise stated)

VI EXPLANATORY NOTES (Continued)

42. Other intangible assets (Continued)

Company (Continued)

	Computer software systems and others	Total
Cost		
As at January 1, 2022	127,661	127,661
Additions	14,872	14,872
Disposals	(5,450)	(5,450)
As at December 31, 2022	137,083	137,083
Accumulated amortization		
As at January 1, 2022	(109,488)	(109,488)
Charge for the year	(10,788)	(10,788)
Disposals	5,450	5,450
As at December 31, 2022	(114,826)	(114,826)
Net book value		
As at January 1, 2022	18,173	18,173
As at December 31, 2022	22,257	22,257

(Amounts in thousands of RMB, unless otherwise stated)

VI EXPLANATORY NOTES (Continued)

43. 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	
	2023	2022
Deferred tax assets	**10,956,488**	11,190,829
Deferred tax liabilities	**(1,723,273)**	(1,943,766)
Deferred taxation	**9,233,215**	9,247,063

(Amounts in thousands of RMB, unless otherwise stated)

VI EXPLANATORY NOTES (Continued)

43. 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	Others	Total
As at January 1, 2023	10,231,062	379,194	(894,658)	(633,931)	1,075,388	417,622	179,154	122,274	1,552,411	(6,443,359)	1,257,241	489,093	1,515,572	9,247,063
Credit/(charge) to profit or loss	254,279	(27,745)	(181)	592	(46,654)	219,151	60,474	38,228	1,455,120	(717,675)	5,454	(228,464)	(107,892)	389,929
Charge to other comprehensive income/(loss)	-	-	-	-	(2,350)	-	-	-	-	(6,743)	315,538	-	(22,843)	347,474
Others	(252)	-	-	7,580	-	-	-	-	1,530	(52,363)	(13,672)	-	874	(56,303)
As at December 31, 2023	10,485,089	351,449	(894,839)	(625,759)	1,026,384	198,471	239,628	84,046	3,009,061	(7,220,140)	933,485	260,629	1,385,711	9,233,215

(Amounts in thousands of RMB, unless otherwise stated)

VI EXPLANATORY NOTES (Continued)

43. 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	Others	Total
As at January 1, 2022	8,454,244	470,998	(872,656)	(861,790)	1,229,927	736,294	191,752	129,517	824,398	(5,336,358)	126,696	447,624	82,026	5,622,672
Credit/(charge) to profit or loss	1,762,888	(91,804)	41,375	280,321	(139,201)	(222,423)	(12,598)	(7,868)	772,036	(1,395,122)	(7,795)	41,469	1,399,803	2,421,081
Charge to other comprehensive income/(loss)	–	–	–	–	(6,926)	–	–	–	–	(21,163)	1,132,709	–	9,026	1,113,646
Others	13,930	–	(63,377)	(52,462)	(8,412)	(96,249)	–	625	(44,023)	309,284	5,631	–	24,717	89,664
As at December 31, 2022	10,231,062	379,194	(894,658)	(633,931)	1,075,388	417,622	179,154	122,274	1,552,411	(6,443,359)	1,257,241	489,093	1,515,572	9,247,063

(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)

43. 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	
	2023	2022
Unused tax losses	**6,080,407**	4,984,591
Deductible temporary differences	**5,332,724**	4,327,183
Total	**11,413,131**	9,311,774

As at December 31, 2023, the above unused tax loses would expire from 2024 to 2028 (As at December 31, 2022: from 2023 to 2027).

Company

	As at December 31	
	2023	2022
Deferred tax assets	**5,406,566**	6,180,080
Deferred tax liabilities	**–**	–
Deferred taxation	**5,406,566**	6,180,080

(Amounts in thousands of RMB, unless otherwise stated)

VI EXPLANATORY NOTES (Continued)

43. 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, 2023	**7,446,707**	**613,561**	**57,839**	**1,290,193**	**1,012,240**	**(6,324,006)**	**489,093**	**1,594,453**	**6,180,080**
Credit/(charge) to profit or loss	**(580,563)**	**77,312**	**(38,468)**	**1,252,953**	**–**	**(736,622)**	**(228,464)**	**(331,977)**	**(585,829)**
Charge to other comprehensive income/(loss)	**–**	**–**	**–**	**–**	**(136,070)**	**(6,743)**	**–**	**–**	**(142,813)**
Charge to capital reserve	**–**	**–**	**–**	**–**	**–**	**(44,872)**	**–**	**–**	**(44,872)**
As at December 31, 2023	**6,866,144**	**690,873**	**19,371**	**2,543,146**	**876,170**	**(7,112,243)**	**260,629**	**1,262,476**	**5,406,566**
As at January 1, 2022	6,101,709	615,591	57,839	1,112,933	211,899	(5,307,578)	447,624	372,948	3,612,965
Credit/(charge) to profit or loss	1,344,998	(2,030)	–	177,260	–	(1,314,411)	41,469	1,221,505	1,468,791
Charge to other comprehensive income/(loss)	–	–	–	–	800,341	(12,136)	–	–	788,205
Charge to capital reserve	–	–	–	–	–	310,119	–	–	310,119
As at December 31, 2022	7,446,707	613,561	57,839	1,290,193	1,012,240	(6,324,006)	489,093	1,594,453	6,180,080

(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)

44. Other assets

Group

	As at December 31	
	2023	2022
Assets in satisfaction of debts (1)	**12,462,076**	13,227,885
Other receivables (2)	**6,816,558**	8,469,127
Prepayments	**3,374,438**	3,804,981
Assets held for sale	**2,859,440**	–
Prepaid taxes	**2,192,645**	1,776,799
Dividends receivable	**1,768,451**	1,905,299
Right-of-use assets	**1,341,613**	1,047,723
Interest receivable	**663,641**	690,233
Long-term prepaid expenses	**369,354**	324,120
Assets with continuing involvement *(Note VI.68)*	**345,575**	322,620
Precious metals	**242,965**	275,604
Others	**1,349,484**	535,346
Total	**33,786,240**	32,379,737

Company

	As at December 31	
	2023	2022
Assets in satisfaction of debts (1)	**9,191,500**	9,107,258
Dividends receivable	**3,654,473**	3,847,375
Prepayments	**1,620,574**	2,405,734
Other receivables (2)	**744,493**	2,172,586
Right-of-use assets	**464,088**	625,312
Assets with continuing involvement *(Note VI.68)*	**281,855**	322,620
Prepaid taxes	**243,652**	–
Long-term prepaid expenses	**43,252**	46,642
Interest receivable	**–**	430,541
Others	**281,308**	13,928
Total	**16,525,195**	18,971,996

(Amounts in thousands of RMB, unless otherwise stated)

VI EXPLANATORY NOTES (Continued)

44. 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	
	2023	2022
Buildings	**12,989,908**	13,566,190
Land use rights	**315,375**	390,594
Others	**225,273**	197,585
Subtotal	**13,530,556**	14,154,369
Less: Allowance for impairment losses	**1,068,480**	926,484
Net book value	**12,462,076**	13,227,885

Company

	As at December 31	
	2023	2022
Buildings	**9,622,287**	9,308,482
Land use rights	**315,375**	390,594
Others	**172,623**	239,618
Subtotal	**10,110,285**	9,938,694
Less: Allowance for impairment losses	**918,785**	831,436
Net book value	**9,191,500**	9,107,258

(Amounts in thousands of RMB, unless otherwise stated)

VI EXPLANATORY NOTES (Continued)

44. Other assets (Continued)

(2) Other receivables

Group

	As at December 31	
	2023	2022
Other receivables	**7,735,478**	9,188,231
Less: Allowance for impairment losses	**918,920**	719,104
Net book value	**6,816,558**	8,469,127

Company

	As at December 31	
	2023	2022
Other receivables	**993,121**	2,176,081
Less: Allowance for impairment losses	**248,628**	3,495
Net book value	**744,493**	2,172,586

Other receivables mainly include guarantee deposits and accounts receivable relating to assets disposal within one year.

(Amounts in thousands of RMB, unless otherwise stated)

VI EXPLANATORY NOTES (Continued)

45. Borrowings from central bank

Group

	As at December 31	
	2023	2022
Borrowings from central bank	**986,058**	986,058

Company

	As at December 31	
	2023	2022
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.

46. Accounts payable to brokerage clients

Group

	As at December 31	
	2023	2022
Personal customers	**11,569,236**	12,444,454
Corporate customers	**5,694,848**	6,662,759
Total	**17,264,084**	19,107,213

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 RMB10,289.57 million at December 31, 2023 (As at December 31, 2022: RMB12,320.49 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.

(Amounts in thousands of RMB, unless otherwise stated)

VI EXPLANATORY NOTES (Continued)

46. Accounts payable to brokerage clients (Continued)

Group (Continued)

No aging 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, 2023 and 2022, included in the Group's accounts payable to brokerage clients were cash collateral of approximately RMB1,240.59 million and RMB1,227.43 million received from clients for margin financing and securities lending arrangement, respectively.

As at December 31, 2023 and 2022, the Company had no accounts payable to brokerage clients.

47. Financial liabilities at fair value through profit or loss

Group

	As at December 31	
	2023	2022
Short positions in exchange fund bills and notes	**6,867,182**	9,416,399
Derivative financial liabilities *(Note VI.26.(1))*	**1,187,061**	1,051,739
Financing payables linked to stock index	**6,848**	216,751
Structured transaction payment (i)	**1,388,108**	–
Total	**9,449,199**	10,684,889

Company

	As at December 31	
	2023	2022
Income guarantee and repurchase commitment	**95,851**	95,851
Structured transaction payment (i)	**1,388,108**	–
Total	**1,483,959**	95,851

(i) The Company acquired non-performing loans through a structured arrangement, the payable amount for these transactions are based on changes in collection effectiveness, and as such, the outstanding transaction amounts as at December 31, 2023 were designated as financial liabilities at fair value through profit or loss.

(Amounts in thousands of RMB, unless otherwise stated)

VI EXPLANATORY NOTES (Continued)

48. Financial assets sold under repurchase agreements

Group

	As at December 31	
	2023	2022
By collateral type:		
Debt securities	**32,163,760**	42,171,187
Finance lease receivables	**1,000,000**	1,000,000
Fund	**–**	32,292
Subtotal	**33,163,760**	43,203,479
Interest payable	**174,289**	222,166
Total	**33,338,049**	43,425,645

The Company had no financial assets sold under repurchase agreements as at December 31, 2023 and 2022.

49. Placements from banks and financial institutions

Group

	As at December 31	
	2023	2022
Placements from banks	**26,764,163**	14,770,123
Placements from financial institutions	**2,603,221**	5,640,000
Subtotal	**29,367,384**	20,410,123
Interest payable	**107,211**	67,927
Total	**29,474,595**	20,478,050

(Amounts in thousands of RMB, unless otherwise stated)

VI EXPLANATORY NOTES (Continued)

49. Placements from banks and financial institutions (Continued)

Company

	As at December 31	
	2023	2022
Placements from banks	**–**	–
Placements from financial institutions	**2,780,000**	4,040,000
Subtotal	**2,780,000**	4,040,000
Interest payable	**1,401**	1,048
Total	**2,781,401**	4,041,048

50. Borrowings

Group

	As at December 31	
	2023	2022
Banks and other financial institutions borrowings		
Unsecured loans	**529,830,655**	579,555,583
Loans secured by properties	**11,536,869**	10,898,795
Other secured loans	**14,776,604**	21,519,381
Subtotal	**556,144,128**	611,973,759
Interest payable	**2,726,374**	3,384,165
Total	**558,870,502**	615,357,924

Loans secured by properties were collateralized by investment properties, properties held for sale, property and equipment at an aggregate carrying amount of RMB20,331 million as at December 31, 2023 (As at December 31, 2022: RMB14,041 million).

Other secured loans were collateralized by interests in associates and joint ventures, and finance lease receivables at an aggregate carrying amount of RMB3,168 million as at December 31, 2023 (As at December 31, 2022: RMB12,157 million).

(Amounts in thousands of RMB, unless otherwise stated)

VI EXPLANATORY NOTES (Continued)

50. Borrowings (Continued)

Group (Continued)

	As at December 31	
	2023	2022
Carrying amount repayable*:		
Within one year	**331,316,129**	394,477,609
More than one year, but not exceeding two years	**151,975,355**	166,515,121
More than two years, but not exceeding five years	**43,958,103**	28,313,749
More than five years	**5,578,620**	1,792,810
Interest payable	**3,351,514**	3,274,115
Subtotal	**536,179,721**	594,373,404
Carrying amount of borrowings that contain a repayment on demand clause repayable:		
Within one year	**22,603,130**	3,095,705
More than one year, but not exceeding two years	**–**	–
More than two years, but not exceeding five years	**–**	17,688,765
More than five years	**–**	90,000
Interest payable	**87,651**	110,050
Subtotal	**22,690,781**	20,984,520
Total	**558,870,502**	615,357,924

* 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)

50. 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	
	2023	2022
Fixed-rate borrowings:		
Within one year	**327,348,611**	384,865,153
More than one year, but not exceeding two years	**141,069,045**	165,633,621
More than two years, but not exceeding five years	**18,284,838**	42,830,102
More than five years	**543,200**	1,709,810
Subtotal	**487,245,694**	595,038,686
Interest payable	**2,476,890**	2,910,035
Total	**489,722,584**	597,948,721

The variable rates of borrowings used by the Group were floating based on the benchmark interest rates of deposits or loans published by Secured Overnight Financing Rate (SOFR), Hong Kong Inter-bank Offered Rate ("HIBOR"), Tokyo Overnight Average Rate ("TONAR"), Loan Prime Rate (LPR).

(Amounts in thousands of RMB, unless otherwise stated)

VI EXPLANATORY NOTES (Continued)

50. Borrowings (Continued)

Group (Continued)

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	
	2023	2022
Effective interest rate		
Fixed-rate borrowings	**2.25%-7.50%**	2.00%-7.50%
Variable-rate borrowings	**0.04%-6.90%**	0.11%-6.35%

Company

	As at December 31	
	2023	2022
Bank borrowings		
Unsecured loans	**421,190,600**	486,271,800
Interest payable	**1,824,268**	2,586,273
Total	**423,014,868**	488,858,073

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	
	2023	2022
Effective interest rate		
Fixed-rate borrowings	**2.65%-4.50%**	2.00%-4.50%
Variable-rate borrowings	**–**	–

(Amounts in thousands of RMB, unless otherwise stated)

VI EXPLANATORY NOTES (Continued)

51. Due to customers

Group

	As at December 31	
	2023	2022
Demand deposits		
Corporate	**31,308,701**	60,498,654
Personal	**34,678,006**	41,414,718
Time deposits		
Corporate	**125,890,254**	101,259,836
Personal	**134,039,463**	104,049,259
Guarantee deposits	**9,500,458**	13,889,870
Subtotal	**335,416,882**	321,112,337
Interest payable	**3,802,907**	1,928,192
Total	**339,219,789**	323,040,529

The Company had no due to customers at the end of 2023 and 2022.

52. Deposits from banks and financial institutions

Group

	As at December 31	
	2023	2022
Banks	**2,162,719**	2,655,835
Other financial institutions	**12,695,081**	10,049,564
Subtotal	**14,857,800**	12,705,399
Interest payable	**136,773**	143,440
Total	**14,994,573**	12,848,839

The Company had no deposits from banks and financial institutions at the end of 2023 and 2022.

(Amounts in thousands of RMB, unless otherwise stated)

VI EXPLANATORY NOTES (Continued)

53. Accounts payable

Group

	As at December 31	
	2023	2022
Accounts payable associated with real estate business (1)	**4,177,701**	4,205,662
Asset purchase payable	**21,934**	21,000
Others	**583,356**	720,241
Total	**4,782,991**	4,946,903

Company

	As at December 31	
	2023	2022
Asset purchase payable	**1,000**	21,000
Total	**1,000**	21,000

(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)

54. Tax payable

Group

	As at December 31	
	2023	2022
PRC Enterprise Income Tax	**1,291,704**	2,643,652
PRC Land Appreciation Tax	**2,070,937**	1,984,282
Hong Kong Profits Tax	**219,909**	(427,121)
Total	**3,582,550**	4,200,813

Company

	As at December 31	
	2023	2022
PRC Enterprise Income Tax	**–**	820,012
Total	**–**	820,012

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (Continued)

55. Bonds issued

Group

							As at December 31, 2022
		As at December 31, 2023					
Bonds Type	*Notes*	**Face Value**	**Currency**	**Term**	**Bond Rate/ Expected Return Rate**	**Book Value**	Book Value
Financial Bonds	*(1)*	**106,600,000**	**CNY**	**3-10 years**	**2.85%-5.50%**	**109,575,016**	120,294,574
USD Guaranteed Senior Notes	*(2)*	**11,765,000**	**USD**	**3-30 years**	**1.25%-5.75%**	**82,931,718**	89,970,404
Corporate Bonds	*(3)(4)(5)(6)*	**33,670,859**	**CNY**	**10 months-5 years**	**2.41%-5.15%**	**34,445,292**	24,481,722
Asset-backed Securities	*(7)*	**34,724,860**	**CNY**	**5 months-3 years**	**2.90%-4.10%**	**34,870,634**	24,134,343
Mid-term Notes	*(8)*	**12,670,000**	**CNY**	**2-5 years**	**2.99%-5.10%**	**12,978,233**	9,515,767
Certificates of Deposit		**7,130,000**	**CNY**	**3 months-1 year**	**2.38%-2.90%**	**7,059,701**	9,341,264
Tier-II Capital Bonds	*(9)*	**8,000,000**	**CNY**	**5 years**	**4.50%**	**8,028,943**	8,025,068
Subordinate Notes		**700,000**	**USD**	**10 years**	**3.80%**	**4,955,236**	4,872,980
Debt Financing Plans		**907,000**	**CNY**	**3 years**	**3.50%-5.00%**	**–**	902,049
Beneficiary Certificates		**4,649,730**	**CNY**	**1-6 months**	**2.35%-3.15%**	**4,669,264**	730,850
Private Placement Notes		**1,700,000**	**CNY**	**3 years**	**5.00%-5.18%**	**1,746,132**	604,767
HKD Bonds		**10,000**	**HKD**	**10 years**	**2.50%**	**–**	9,004
RMB Guaranteed Senior Notes	*(10)*	**1,500,000**	**CNY**	**3 years**	**3.70%**	**1,501,963**	–
Total						**302,762,132**	292,882,792

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (Continued)

55. Bonds issued (Continued)

Company

		As at December 31, 2023					As at December 31, 2022
Bonds Type	*Notes*	**Face Value**	**Currency**	**Term**	**Bond Rate/ Expected Return Rate**	**Book Value**	Book Value
Financial Bonds	*(1)*	**95,000,000**	**CNY**	**3-10 years**	**2.85%-5.50%**	**97,590,655**	97,632,038
Asset-backed Securities	*(7)*	**34,724,860**	**CNY**	**5 months-3 years**	**2.90%-4.10%**	**34,861,166**	19,749,551
Tier-II Capital Bonds	*(9)*	**8,000,000**	**CNY**	**5 years**	**4.50%**	**8,021,256**	8,013,576
Total						**140,473,077**	125,395,165

(1) The Company issued financial bonds with a total face value of RMB95,000 million in the China Interbank Bond Market ("CIMB") in the period from September 2015 to November 2023 at fixed coupon rates. The Company's subsidiary Cinda Financial Leasing Co., Ltd. ("Cinda Financial Leasing") issued financial bonds with a total face value of RMB2,600 million in the period from November 2021 to August 2022 at fixed coupon rates. The Company's subsidiary Nanyang Commercial Bank (China) Co., Ltd., issued financial bonds with a total face value of RMB9,000 million in the period from December 2020 to September 2023 at fixed coupon rates.

(2) China Cinda Financial Co., Ltd., a subsidiary of China Cinda (Hong Kong) Holdings Limited ("Cinda Hong Kong"), issued a total face value of USD11,765 million of Guaranteed Senior Notes (the "USD Notes") in Hong Kong in the period from May 2014 to August 2023.

(3) The Company's subsidiary, Cinda Investment Co., Ltd. ("Cinda Investment"), issued corporate bonds with a face value of RMB3,000 million in December 2015. 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 and investors adjusted interest rates and partially sold back in December 2020, with a face value of RMB2 million. The bonds matured in December 2023.

Cinda Investment issued corporate bonds with a face value of RMB2,000 million in January 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 fifth year. The issuer and investors adjusted interest rates and partially sold back in January 2021, with a face value of RMB1 million.

Cinda Investment issued corporate bonds with a face value of RMB600 million in 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.

VI. EXPLANATORY NOTES (Continued)

55. Bonds issued (Continued)

(3) (Continued)

Cinda Investment issued corporate bonds with a face value of RMB400 million in 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 and investors did not choose to adjust interest rates and partially sold back in August 2022.

Cinda Investment issued Tranche I and II corporate bonds with a total face value of RMB2,998 million in December 2023. The bonds have fixed coupon rates, payable annually. The face value of Tranche I is RMB998 million, with the issuer's option to adjust the coupon rate and the investor's option to sell back at the end of the third year. The face value of Tranche II is RMB2,000 million, with the issuer's option to adjust the coupon rate and the investor's option to sell back at the end of the second and the end of the fourth year.

(4) Cinda Real Estate Co., Ltd. ("Cinda Real Estate"), a subsidiary of Cinda Investment, issued Tranche I and II corporate bonds with total face value of RMB2,770 million in January 2021, the bonds have fixed coupon rates, payable annually. The face value of Tranche I is RMB1,720 million, with the issuer's option to adjust the coupon rate and the investor's option to sell back at the end of the second and the end of the fourth year. The face value of Tranche II is RMB1,050 million, with the issuer's option to adjust the coupon rate and the investor's option to sell back at the end of the third year.

Cinda Real Estate issued Tranche I and II corporate bonds with total face value of RMB3,030 million in March of 2021, the bonds have fixed coupon rates, payable annually. The face value of Tranche I is RMB2,020 million, with the issuer's option to adjust the coupon rate and the investor's option to sell back at the end of the second and the end of the fourth year. The face value of Tranche II is RMB1,010 million, with the issuer's option to adjust the coupon rate and the investor's option to sell back at the end of the third year.

Cinda Real Estate issued Tranche I and II corporate bonds with total face value of RMB1,200 million in May 2022, the bonds have fixed coupon rates, payable annually. The face value of Tranche I is RMB600 million, with the issuer's option to adjust the coupon rate and the investor's option to sell back at the end of the second year. The face value of Tranche II is RMB600 million, with the issuer's option to adjust the coupon rate and the investor's option to sell back at the end of the third year.

Cinda Real Estate issued corporate bonds with face value of RMB1,500 million in August of 2022, the bonds have fixed coupon rates, payable annually, with the issuer's option to adjust the coupon rate and the investor's option to sell back at the end of the second and the end of the fourth year.

VI. EXPLANATORY NOTES (Continued)

55. Bonds issued (Continued)

(4) (Continued)

Cinda Real Estate issued Tranche I and II corporate bonds with total face value of RMB1,500 million in June of 2023, the bonds have fixed coupon rates, payable annually. The face value of Tranche I is RMB650 million, with the issuer's option to adjust the coupon rate and the investor's option to sell back at the end of the second and the end of the fourth year. The face value of Tranche II is RMB850 million, with the issuer's option to adjust the coupon rate and the investor's option to sell back at the end of the third year.

Cinda Real Estate issued corporate bonds with face value of RMB800 million in December of 2022, the bonds have fixed coupon rates, payable annually, with the issuer's option to adjust the coupon rate and the investor's option to sell back at the end of the second and the end of the fourth year.

(5) Well Kent International Enterprises (Shenzhen) Co., Ltd., a subsidiary of Cinda Hong Kong, issued corporate bonds with a total face value of RMB2,000 million in March 2020 and May 2020,with fixed coupon rates, payable annually. The issuer have been sold back early in March and May 2023, respectively. Well Kent International Enterprises (Shenzhen) Co., Ltd. issued corporate bonds with a total face value of RMB2,000 million in March 2022 and June 2022. The bond has fixed coupon rate, payable annually, with the issuer's option to adjust the coupon rate and the investor's option to sell back at the end of the second year.

(6) Cinda Securities Company Limited, a subsidiary of the Company, issued a 5-year corporate bond with a face value of RMB1,000 million at a fixed coupon rate of 3.57% on 27 March 2020. Cinda Securities Co., Ltd. issued a 3-year corporate bond with a face value of RMB1,500 million at a fixed coupon rate of 3.70% on 24 March 2021. Cinda Securities Co., Ltd. issued a corporate bond with a face value of RMB2,000 million in March 2023 at a fixed coupon rate of 3.23%. Cinda Securities Co., Ltd. issued a short-term corporate bond with a face value of RMB2,000 million in June 2023 at a fixed coupon rate of 2.41%. Cinda Securities Co., Ltd. issued a corporate bond with a face value of RMB3,000 million in December 2023 at a fixed coupon rate of 2.86%.

(7) The Company issued asset-backed securities with a total face value of RMB34,725 million during the period from August 2021 to December 2023 at fixed coupon rates.

VI. EXPLANATORY NOTES (Continued)

55. Bonds issued (Continued)

(8) Cinda Investment, a subsidiary of the Company, issued medium-term notes with a face value of RMB2,000 million and RMB1,770 million in April 2020 and March 2022, respectively, with fixed coupon rates, payable annually, with an option for the issuer to adjust the coupon rate at the end of the third year and an investor's resale option, and in April 2023, the investor sold back all of the 2,000 million issued in April 2020 under the resell option. In April 2023, Cinda Investment issued two medium-term notes with a total face value of RMB2,000 million, fixed rates, interest payable annually. One of the two medium-term notes has an option to adjust the coupon rate by the issuer at the end of the third year and an investor's resale option at the end of the second year, while the other one has an option by the issuer to adjust the coupon rate at the end of second year, and an investor's resale option at the end of the second and fourth years.

Cinda Investment issued a medium-term note with a face value of RMB1,500 million in July 2023 with fixed coupon rates, payable annually, with an option for the issuer to adjust the coupon rate at the end of the second and the end of the fourth year and an investor's resale option.

Cinda Investment issued two medium-term notes with a total face value of RMB1,500 million in August 2023, fixed rates, interest payable annually. One of the two medium-term notes has an option to adjust the coupon rate by the issuer at the end of the third year and an investor's resale option, while the other one has an option by the issuer to adjust the coupon rate at the end of the second and the end of the fourth year and an investor's resale option.

Cinda Real Estate, a subsidiary of the Company, issued a medium-term note with a face value of RMB580 million in March 2022 with fixed coupon rates, payable annually. Cinda Real Estate issued a medium-term note with a face value of RMB1,600 million in April 2023 with fixed coupon rates, payable annually, with an option for the issuer to adjust the coupon rate at the end of the second and the end of the fourth year and an investor's resale option. Cinda Real Estate issued medium-term notes with a face value of RMB1,000 million and RMB1,820 million in July 2023 and December 2023, respectively, with fixed coupon rates, payable annually, with an option for the issuer to adjust the coupon rate at the end of the second and the end of the fourth year and an investor's resale option.

(9) The Company, issued Tier II capital bonds with a total face value of RMB8,000 million in November 2020 at fixed coupon rates, payable annually, and with a conditional issuer redemption right at the end of fifth year. The issuer has the right to partially or fully redeem the bonds at par in one lump sum, subject to the prior approval obtained from the NFRA.

(10) China Cinda (2020) I Management Ltd., a subsidiary of Cinda Hong Kong, issued corporate bonds with a face value of RMB1,500 million in May 2023, with fixed interest rate, payable semi-annually. At any time prior to the maturity, either the issuer or Cinda Hong Kong has the right to partially or fully redeem the bonds.

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (Continued)

56. Contract liabilities

Group

	As at December 31	
	2023	2022
Sales proceeds received in advance (1)	**5,626,622**	7,223,029
Others	**505,377**	302,612
Total	**6,131,999**	7,525,641

(1) Sales proceeds received in advance

	As at December 31	
	2023	2022
At beginning of the year	**7,223,029**	13,287,716
Deferred during the year	**7,656,400**	10,018,643
Recognized as revenue during the year	**(9,252,807)**	(16,083,330)
At end of the year	**5,626,622**	7,223,029

As at December 31, 2023 and December 31, 2022, no contract liability were held by the Company.

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (Continued)

57. Other liabilities

Group

	As at December 31	
	2023	2022
Other payables	**22,849,714**	24,958,981
Risk deposit	**6,107,951**	5,865,718
Staff costs payable (1)	**5,143,915**	6,323,079
Receipts in advance associated with disposal of distressed assets	**5,052,875**	2,768,527
Long-term payable	**4,669,600**	565,568
Payables to interest holders of consolidated structured entities *(Note VI.37)*	**2,900,335**	4,215,054
Sundry taxes payable	**1,416,630**	1,445,261
Lease liabilities	**1,294,165**	1,035,250
Notes payable	**1,030,164**	451,493
Liabilities held for sale	**1,012,197**	–
Receipts in advance	**828,034**	1,019,358
Items in the process of clearance and settlement	**595,897**	147,843
Provisions (2)	**581,687**	779,128
Liabilities with continuing involvement *(Note VI.68)*	**345,575**	322,620
Others	**792,719**	666,911
Total	**54,621,458**	50,564,791

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (Continued)

57. Other liabilities (Continued)

Group (Continued)

(1) Staff costs payable

	2023			
	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	**5,268,448**	**4,116,370**	**(5,363,329)**	**4,021,489**
Social insurance	**132,297**	**365,316**	**(356,778)**	**140,835**
Defined contribution plans	**247,004**	**654,360**	**(610,732)**	**290,632**
Defined benefit plans (i)	**95,374**	**5,046**	**(16,743)**	**83,677**
Housing funds	**3,363**	**287,037**	**(286,850)**	**3,550**
Labor union fees and staff education expenses	**435,084**	**92,254**	**(93,068)**	**434,270**
Others	**141,509**	**348,807**	**(320,854)**	**169,462**
Total	**6,323,079**	**5,869,190**	**(7,048,354)**	**5,143,915**

	2022			
	As at January 1	Increase in the current year	Decrease in the current year	As at December 31
Wages or salaries, bonuses, allowances and subsidies	6,004,625	4,582,453	(5,318,630)	5,268,448
Social insurance	91,075	357,385	(316,163)	132,297
Defined contribution plans	211,625	609,504	(574,125)	247,004
Defined benefit plans (i)	124,815	6,109	(35,550)	95,374
Housing funds	2,375	260,106	(259,118)	3,363
Labor union fees and staff education expenses	394,807	130,100	(89,823)	435,084
Others	128,127	319,071	(305,689)	141,509
Total	6,957,449	6,264,728	(6,899,098)	6,323,079

(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:

	2023	2022
At beginning of the year	**95,374**	124,815
Current service cost	**1,496**	4,030
Interest cost	**3,550**	2,079
Actuarial gains on remeasurement	**(14,241)**	(41,975)
Benefit paid	**(3,811)**	(3,727)
Exchange differences	**1,309**	10,152
At end of the year	**83,677**	95,374

Principal actuarial assumptions used are as follows:

	As at December 31	
	2023	2022
Discount rate	**3.8%**	3.8%
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 2022**	Hong Kong Life Tables 2021

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (Continued)

57. Other liabilities (Continued)

Group (Continued)

(2) Movements of provisions

	2023	2022
At beginning of the year	**779,128**	828,759
Provided for the year	**253,637**	470,661
Settled/Reversed	**(451,078)**	(520,292)
At end of the year	**581,687**	779,128

Company

	2023	2022
Receipts in advance associated with disposal of distressed assets	**5,052,875**	2,768,527
Other payables	**3,783,000**	4,688,495
Staff costs payable (1)	**2,525,731**	2,918,827
Lease liabilities	**452,185**	615,666
Liabilities with continuing involvement	**281,855**	322,620
Sundry taxes payable	**132,852**	214,883
Provisions (2)	**16,100**	169,971
Others	**101,520**	101,124
Total	**12,346,118**	11,800,113

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (Continued)

57. Other liabilities (Continued)

Company (Continued)

(1) Staff costs payable

	2023			
	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	**2,625,563**	**1,246,215**	**(1,657,441)**	**2,214,337**
Social insurance	**83,239**	**132,483**	**(120,125)**	**95,597**
Defined contribution plans	**5,557**	**238,656**	**(238,618)**	**5,595**
Housing funds	**404**	**99,670**	**(99,519)**	**555**
Labor union fees and staff education expenses	**203,192**	**43,976**	**(39,396)**	**207,772**
Others	**872**	**87,311**	**(86,309)**	**1,874**
Total	**2,918,827**	**1,848,311**	**(2,241,408)**	**2,525,730**

	2022			
	As at January 1	Increase in the current year	Decrease in the current year	As at December 31
Wages or salaries, bonuses, allowances and subsidies	2,659,115	1,581,153	(1,614,705)	2,625,563
Social insurance	48,928	143,391	(109,080)	83,239
Defined contribution plans	6,039	219,469	(219,951)	5,557
Housing funds	532	92,539	(92,667)	404
Labor union fees and staff education expenses	176,655	56,060	(29,523)	203,192
Others	852	90,551	(90,531)	872
Total	2,892,121	2,183,163	(2,156,457)	2,918,827

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (Continued)

57. Other liabilities (Continued)

Company (Continued)

(2) Movements of provisions

	2023	2022
At beginning of the year	**169,971**	169,971
Settled/Reversed	**(153,871)**	–
At end of the year	**16,100**	169,971

58. Share capital

Group and Company

	Year ended December 31	
	2023	2022
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:

	2023			
	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**

	2022			
	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 December 31, 2023 and 2022, no shares of the Company 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, 2023, the movements of the Company's other equity instruments were as follows:

	As at January 1, 2023		Increase		Decrease		As at December 31, 2023	
	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								
– 2021 Offshore Preference Shares	85,000	10,838,023	–	–	–	–	85,000	10,838,023
Undated Capital Bonds								
– 2021 Undated Capital Bonds	100,000	9,957,577	–	–	–	–	100,000	9,957,577
– 2022 Undated Capital Bonds	120,000	11,952,401	–	–	–	–	120,000	11,952,401
Total	305,000	32,748,001	–	–	–	–	305,000	32,748,001

VI. EXPLANATORY NOTES (Continued)

59. Other equity instruments (Continued)

Group and Company (Continued)

The duration of the above bonds is the same as the period of continuing operation of the Company. Subject to the satisfaction of the redemption conditions and having obtained the prior approval from NFRA, the Company may redeem the above bonds in whole or in part on each distribution payment date 5 years after the issuance date of the above bonds. Upon the occurrence of a trigger event for the write-downs, without the consent of the bondholders, the Company has the right to write down all or part of the above bonds issued and existing at that time in accordance with the total par value. The claims of the investors of the above bonds will be subordinated to the claims of general creditors and subordinated creditors and shall rank in priority to the claims of all categories of shareholders and will rank pari passu with the claims under any other additional tier 1 capital instruments of the Company that rank pari passu with the above bonds.

The above bonds pay non-cumulative interest. The Company shall have the right to cancel distributions on the above bonds in whole or in part and such cancellation shall not constitute a default. The Company may at its discretion utilize the proceeds from the cancelled distributions to meet other obligations of maturing debts. But the Company shall not distribute profits to ordinary shareholders until the resumption of full dividend payments to bondholders.

Capital raised from the issuance of the above bonds, after deduction of transaction costs, was wholly used to replenish the Company's additional tier 1 capital.

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	
	2023	2022
At beginning of the year	**(4,543,285)**	(1,372,178)
Items that may be reclassified subsequently to profit or loss:		
Fair value changes on debt instruments at fair value through other comprehensive income		
Fair value changes arising during the year	**1,438,708**	(2,296,003)
Amounts reclassified to profit or loss upon disposal	**(294,231)**	291,477
Amounts of profit or loss upon impairment	**(204,908)**	138,211
Income tax effect	**(181,667)**	332,294
	757,902	(1,534,021)
Exchange differences arising on translation of foreign operations	**43,937**	759,859
Share of other comprehensive income of associates and joint ventures	**26,516**	6,866
Income tax effect	**(6,743)**	(12,137)
	821,612	(779,433)
Items that will not be reclassified subsequently to profit or loss:		
Remeasurement of supplementary retirement benefits	**14,241**	41,975
Income tax effect	**(2,350)**	(6,926)
	11,891	35,049
Fair value changes on equity instruments designated as at fair value through other comprehensive income	**558,981**	(3,223,974)
Other comprehensive income carried forward to retained earnings	**(32,268)**	–
Income tax effect	**(138,898)**	799,721
Share of other comprehensive income of associates and joint ventures	**–**	(2,470)
Income tax effect	**–**	–
	399,706	(2,391,674)
Other comprehensive income for the year	**1,221,318**	(3,171,107)
At end of the year	**(3,321,967)**	(4,543,285)

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (Continued)

61. Other comprehensive income (Continued)

Company

	Year ended December 31	
	2023	2022
At beginning of the year	**(2,789,588)**	(418,702)
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	**–**	–
Income tax effect	**–**	–
	–	–
Share of other comprehensive income of associates and joint ventures	**27,579**	42,275
Income tax effect	**(6,743)**	(12,137)
	20,836	30,138
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	**544,279**	(3,201,366)
Income tax effect	**(136,070)**	800,342
	408,209	(2,401,024)
Share of other comprehensive income of associates and joint ventures	**–**	–
Income tax effect	**–**	–
Subtotal	**408,209**	(2,401,024)
Other comprehensive income for the year	**429,045**	(2,370,886)
At end of the year	**(2,360,543)**	(2,789,588)

(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, 2023, the Group reserved RMB513.30 million to the general reserve pursuant to the regulatory requirements in the PRC (For the years ended December 31, 2022, the Group transferred RMB206.26 million to the general reserve).

For the year ended December 31, 2023, no general reserve is required to be transferred for the Company pursuant to the regulatory requirements in the PRC (For the years ended December 31, 2022, no general reserve is required to be transferred for the Company pursuant to the regulatory requirements in the PRC).

64. Retained earnings

During the years ended December 31, 2023 and 2022, the retained earnings of the Company were as follows:

Company

	As at December 31	
	2023	2022
At beginning of the year	**43,869,050**	42,725,881
Profit for the year	**5,143,750**	6,413,894
Appropriation to surplus reserve	**(514,375)**	(641,389)
Dividends recognized as distribution	**(3,450,867)**	(4,629,336)
At end of the year	**45,047,558**	43,869,050

(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	
	2023	2022
Cash	**523,309**	527,836
Balances with central banks	**8,815,909**	9,643,524
Deposits with banks and financial institutions	**63,712,353**	78,913,566
Placements with banks and financial institutions	**24,079,098**	31,419,963
Financial assets held under resale agreements	**5,746,092**	24,907,088
Cash and cash equivalents	**102,876,761**	145,411,977

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, 2023, equity instruments amounting to RMB2,821.41 million (2022: RMB3,511.04 million) were swapped with debt instruments held by the Group with carrying amount of RMB2,441.67 million (2022: RMB6,528.07 million).

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, 2023 and 2022, total claim amounts of pending litigations were RMB3,437.54 million and RMB2,177.96 million for the Group and RMB3,198.29 million and RMB1,520.08 million for the Company respectively, and provisions of RMB6.01 million and RMB3.09 million for the Group respectively were made based on court judgements or the advice of legal counsels. The directors of the Company believe that the final result of these lawsuits will not have a material impact on the financial position or operations of the Group and the Company.

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (Continued)

67. Contingent liabilities and commitments (Continued)

(2) Credit commitments

	As at December 31	
	2023	2022
Bank acceptance bills	**54,234,807**	41,884,108
Loan commitments *(i)*	**14,565,088**	15,322,797
Letters of guarantee issued	**10,928,291**	8,074,233
Letters of credit issued	**27,373,844**	3,520,795
Undrawn credit card commitments	**1,158,099**	487,659
Others	**2,396**	2,672
Total	**108,262,525**	69,292,264
Impairment of credit commitments	**(95,133)**	(171,401)

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, 2023, the unconditionally revocable loan commitments of the Group amounted to RMB194,109.15 million (December 31, 2022: RMB102,456.09 million).

(3) Capital commitments

Group

	As at December 31	
	2023	2022
Contracted but not provided for		
Commitment for the acquisition of properties under development	**–**	889
Commitments for the acquisition of property and equipment	**14,722**	644,786
Construction and installation contracts that have been signed, ongoing or ready to be fulfilled	**2,886,304**	2,806,532
Investment commitments that have been signed but not yet recognized in the financial statements	**674,976**	166,331
Total	**3,576,002**	3,618,538

VI. EXPLANATORY NOTES (Continued)

67. Contingent liabilities and commitments (Continued)

(3) Capital commitments (Continued)

Company

	As at December 31	
	2023	2022
Contracted but not provided for		
Commitments for the acquisition of property and equipment	**8,392**	2,327
Total	**8,392**	2,327

(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.37 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	
	2023	2022	**2023**	2022
Financial assets at amortized cost	**22,523,105**	–	**20,533,578**	–
Financial assets at fair value through profit or loss	**6,104,575**	11,797,962	**4,871,915**	11,791,273
Financial assets at fair value through other comprehensive income	**8,686,720**	30,642,484	**6,930,691**	30,632,178
Finance lease receivables	**1,363,753**	1,135,286	**1,001,865**	1,002,194
Total	**38,678,153**	43,575,732	**33,338,049**	43,425,645

VI. EXPLANATORY NOTES (Continued)

68. Transfers of financial assets (Continued)

(2) Asset-backed securities

The Group enters into securitization transactions whereby it transfers financial assets to structured entities which issue asset-backed securities to investors. The Group assessed, among other factors, whether or not to derecognize the transferred assets by evaluating the extent to which it retains the risks and rewards of the assets and whether it has relinquished its control over these assets.

With respect to the securitization of financial assets that do not qualify for derecognition, the relevant financial assets are not derecognized, and the consideration paid by third parties is recorded as a financial liability. As at December 31, 2023, the Group' s carrying amount of transferred assets that did not qualify for derecognition was RMB18,248.22 million (December 31, 2022: RMB13,827.49 million), and the carrying amount of their associated liabilities was RMB34,861.17 million (December 31, 2022: RMB19,749.55 million).

With respect to the securitization of financial assets that qualified for derecognition, the Group derecognized the transferred financial assets in their entirety. There was no carrying amount of asset-backed securities held by the Group in the securitization transactions as at December 31, 2023 and 2022.

(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, 2023, the carrying amount at the time of transfer of the original financial assets, in which the Group determined that it has continuing involvement, was RMB225.82 million (for the year ended December 31, 2022: RMB1,368.42 million). As at December 31, 2023, the Group continued to recognize assets of RMB345.58 million (for the year ended December 31, 2022: RMB322.62 million). The Group also recognized other assets and other liabilities of the same amount arising from such continuing involvement.

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 assets such as debt assets acquired from financial institutions and non-financial enterprises; (2) operation, management and disposal of DES Assets; (3) restructuring, special opportunity businesses and other debt businesses and equity businesses related to distressed assets and distressed entities in comprehensive operation method; and (4) custody businesses.

Financial services operations

The Group's financial services segment comprises the relevant business of the Group, including the provision of financial services in sectors such as banking, securities, future, public offering fund, trust and lease. These operations were mainly carried out by the subsidiaries of the Company.

There is no significant customer concentration of the Group's business. There is no customer contributing more than 10% of the Group's revenue.

(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, 2023				
Income from distressed debt assets at amortized cost	6,084,166	–	–	6,084,166
Fair value changes on distressed debt assets	7,618,401	–	–	7,618,401
Fair value changes on other financial instruments	9,892,396	1,321,760	–	11,214,156
Investment income	(636,372)	925,693	(88)	289,233
Interest income	8,370,716	25,035,894	(345,150)	33,061,460
Revenue from sales of inventories	9,502,405	–	–	9,502,405
Commission and fee income	398,071	4,666,327	(160,962)	4,903,436
Net gains on disposal of subsidiaries, associates and joint ventures	538,647	–	–	538,647
Other income and other net gains or losses	2,633,748	441,049	(118,895)	2,955,902
Total	44,402,178	32,390,723	(625,095)	76,167,806
Interest expense	(28,948,974)	(15,609,162)	477,636	(44,080,500)
Employee benefits	(2,746,554)	(2,963,308)	–	(5,709,862)
Purchases and changes in inventories	(7,716,685)	–	(61)	(7,716,746)
Commission and fee expense	(114,310)	(735,777)	45,458	(804,629)
Taxes and surcharges	(360,966)	(120,709)	–	(481,675)
Depreciation and amortization expenses	(935,071)	(1,179,923)	74,540	(2,040,454)
Other expenses	(2,168,565)	(1,729,800)	84,981	(3,813,384)
Credit impairment losses	(4,411,260)	(4,070,922)	6,688	(8,475,494)
Impairment losses on other assets	(633,991)	(640,039)	–	(1,274,030)
Total	(48,036,376)	(27,049,640)	689,242	(74,396,774)

(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	**(623)**	**(17,637)**	**–**	**(18,260)**
Profit before share of results of associates and joint ventures and tax	**(3,634,821)**	**5,323,446**	**64,147**	**1,752,772**
Share of results of associates and joint ventures	**6,416,238**	**17,301**	**–**	**6,433,539**
Profit before tax	**2,781,417**	**5,340,747**	**64,147**	**8,186,311**
Income tax expense	**–**	**–**	**–**	**(1,192,834)**
Profit for the year	**–**	**–**	**–**	**6,993,477**
Capital expenditure	**338,279**	**509,004**	**–**	**847,283**
As at December 31, 2023				
Segment assets	**913,550,297**	**695,994,235**	**(26,143,572)**	**1,583,400,960**
Including: Interests in associates and joint ventures	**91,236,136**	**448,894**	**–**	**91,685,030**
Unallocated assets				**10,956,487**
Total assets				**1,594,357,447**
Segment liabilities	**818,181,368**	**580,139,506**	**(24,354,507)**	**1,373,966,367**
Unallocated liabilities				**3,234,885**
Total liabilities				**1,377,201,252**

(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, 2022				
Income from distressed debt assets at amortized cost	10,070,722	–	–	10,070,722
Fair value changes on distressed debt assets	11,284,302	–	–	11,284,302
Fair value changes on other financial instruments	4,925,436	494,815	(9,878)	5,410,373
Investment income	(558,824)	775,578	–	216,754
Interest income	9,483,147	18,024,430	(112,688)	27,394,889
Revenue from sales of inventories	16,068,262	–	–	16,068,262
Commission and fee income	609,006	4,746,212	(244,995)	5,110,223
Net gains on disposal of subsidiaries, associates and joint ventures	1,057,703	1,088	–	1,058,791
Other income and other net gains or losses	4,149,650	324,349	(99,935)	4,374,064
Total	57,089,404	24,366,472	(467,496)	80,988,380
Interest expense	(31,025,273)	(9,326,309)	270,481	(40,081,101)
Employee benefits	(3,211,407)	(2,910,887)	–	(6,122,294)
Purchases and changes in inventories	(12,859,418)	–	(46)	(12,859,464)
Commission and fee expense	(229,453)	(492,081)	96,984	(624,550)
Taxes and surcharges	(453,254)	(117,840)	–	(571,094)
Depreciation and amortization expenses	(1,040,390)	(1,101,825)	64,118	(2,078,097)
Other expenses	(2,285,501)	(1,693,614)	107,112	(3,872,003)
Credit impairment losses	(8,660,749)	(2,719,535)	–	(11,380,284)
Impairment losses on other assets	(1,782,620)	(95,048)	–	(1,877,668)
Total	(61,548,065)	(18,457,139)	538,649	(79,466,555)

(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	(46,495)	(1,014)	–	(47,509)
Profit before share of results of associates and joint ventures and tax	(4,505,156)	5,908,319	71,153	1,474,316
Share of results of associates and joint ventures	8,977,590	5,688	–	8,983,278
Profit before tax	4,472,434	5,914,007	71,153	10,457,594
Income tax expense				(3,226,334)
Profit for the year				7,231,260
Capital expenditure	192,265	1,743,694	–	1,935,959
As at December 31, 2022				
Segment assets	965,648,298	659,782,054	(20,632,206)	1,604,798,146
Including: Interests in associates and joint ventures	87,111,402	430,832	–	87,542,234
Unallocated assets				11,190,829
Total assets				1,615,988,975
Segment liabilities	869,512,239	553,383,837	(19,062,520)	1,403,833,556
Unallocated liabilities				4,160,297
Total liabilities				1,407,993,853

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (Continued)

70. Related party transactions

(1) The MOF

Group

As at December 31, 2023, the MOF directly owned 58.00% (As at December 31, 2022: 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	
	2023	2022
Financial assets at fair value through other comprehensive income	**149,621**	33,196,519
Financial assets at fair value through profit or loss	**920,583**	53,038
Accounts receivable	**1,597**	1,597

The Group had entered into the following transactions with the MOF:

	Year ended December 31	
	2023	2022
Interest income	**1,182**	836,627
Investment income	**4,254**	63,428

(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	
	2023	2022
Accounts receivable	**1,597**	1,597

For the years ended December 31, 2023 and 2022, the Company had no transaction with the MOF.

(2) Subsidiaries

The Company had the following balances with its subsidiaries:

	As at December 31	
	2023	2022
Amounts due from subsidiaries	**42,769,195**	33,398,209
Financial assets at fair value through profit or loss	**801,979**	837,399
Placement with banks and financial institutions	**261,426**	400,090
Lease liabilities	**261,090**	382,997
Right-of-use assets	**250,342**	368,583
Bonds issued	**185,754**	313,682
Other payables	**13,926**	130,180
Property and equipment	**–**	14,508

(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	
	2023	2022
Interest income	**1,195,956**	633,498
Dividend income	**146,552**	438,626
Other expenses	**142,711**	164,856
Interest expense	**125,461**	134,598
Depreciation expenses of right-of-use assets	**119,805**	122,909
Fair value changes on distressed debt assets	**100,000**	130,000
Fair value changes on other financial instruments	**62,639**	68,079
Commission and fee expense	**40,951**	89,533
Rental income	**34,026**	24,588
Depreciation and amortisation expenses	**582**	582

(3) Associates and joint ventures

The Group had the following balances and entered into the following transactions with its associates and joint ventures, entities that it does not control but exercise significant influence or joint control. These transactions were carried out in the ordinary course of business.

Group

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

	As at December 31	
	2023	2022
Loans and advances to customers	**5,026,341**	4,146,592
Risk deposit	**122,500**	120,500
Other receivables	**36,899**	38,523
Other payables	**32,234**	869,116
Dividend receivable	**30,000**	45,000
Other liability	**10,910**	8,428

(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	
	2023	2022
Dividends received	**1,920,442**	401,978
Interest income	**360,886**	423,199
Other income	**10,087**	–
Commission and fee income	**931**	4,141

Company

The Company had entered into the following transactions with its associates and joint ventures:

	Year ended December 31	
	2023	2022
Dividend income	**1,018,747**	393,410

(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	
	2023	2022
Contribution to defined contribution plans	**261,908**	282,124

Company

The Company had the following transactions with the defined contribution plans:

	Year ended December 31	
	2023	2022
Contribution to defined contribution plans	**126,287**	116,470

(6) Defined benefit plans

Group

Please refer to Note VI. 57 Other liabilities for details of retirement benefits of the Group's subsidiary, NCB.

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. The maximum exposure to credit risk at the end of each reporting period is as follows:

Group

	As at December 31	
	2023	2022
On-balance sheet		
Balances with central banks	**14,714,197**	16,149,540
Deposits with banks and financial institutions	**81,997,616**	97,830,088
Deposits with exchanges and others	**2,622,029**	2,334,962
Placements with banks and financial institutions	**24,169,785**	34,424,999
Financial assets at fair value through profit or loss	**167,746,529**	141,875,156
Financial assets held under resale agreements	**9,239,139**	30,075,367
Financial assets at fair value through other comprehensive income	**164,503,552**	124,934,251
Financial assets at amortized cost	**119,749,889**	169,994,310
Loans and advance to customers	**403,161,759**	396,529,988
Accounts receivable	**4,186,709**	4,803,330
Other assets	**10,019,897**	11,823,966
Subtotal	**1,002,111,101**	1,030,775,957
Off-balance sheet		
Bank acceptance bills	**54,234,807**	41,884,108
Loan commitments	**14,565,088**	15,322,797
Letters of guarantee issued and other credit commitments	**39,462,630**	12,085,359
Subtotal	**108,262,525**	69,292,264
Total	**1,110,373,626**	1,100,068,221

(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	
	2023	2022
Balances with central banks	**279**	2,427
Deposits with banks and financial institutions	**25,392,346**	37,179,969
Financial assets at fair value through profit or loss	**107,226,904**	80,981,509
Financial assets held under resale agreements	**5,747,782**	24,914,111
Financial assets at amortized cost	**66,540,763**	105,876,967
Accounts receivable	**1,187,364**	1,921,592
Amounts due from subsidiaries	**40,706,514**	30,156,669
Other assets	**4,961,929**	6,786,622
Total	**251,763,881**	287,819,866

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, 2022. The carrying amount of distressed debt assets at fair value through profit or loss for the Group as at December 31, 2023 amounted to RMB241,982.05 million (December 31, 2022: RMB233,437.19 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	
	2023	2022
Distressed debt assets	**70,100,751**	113,472,389
Loans and advances to customers	**402,527,171**	392,367,947
Subtotal	**472,627,922**	505,840,336
Allowance for impairment losses		
Distressed debt assets	**(10,907,745)**	(13,230,434)
Loans and advances to customers	**(14,339,061)**	(10,274,576)
Subtotal	**(25,246,806)**	(23,505,010)
Net carrying amounts		
Distressed debt assets	**59,193,006**	100,241,955
Loans and advances to customers	**388,188,110**	382,093,371
Total	**447,381,116**	482,335,326

Company

	As at December 31	
	2023	2022
Distressed debt assets	**69,910,119**	113,281,757
Allowance for impairment losses	**(10,736,837)**	(13,060,548)
Net carrying amounts	**59,173,282**	100,221,209

(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			
	2023		2022	
Area	**Gross amount**	**%**	Gross amount	%
Overseas	**173,356,367**	**36.6**	169,827,747	33.5
Yangtze River Delta	**74,968,690**	**15.9**	67,153,774	13.3
Western Region	**55,869,132**	**11.8**	65,378,297	12.9
Bohai Rim	**53,828,641**	**11.4**	70,613,011	14.0
Central Region	**51,432,900**	**10.9**	66,281,530	13.1
Pearl River Delta	**48,080,523**	**10.2**	55,657,279	11.0
Northeastern Region	**15,091,669**	**3.2**	10,928,698	2.2
Total	**472,627,922**	**100.0**	505,840,336	100.0

Company

	As at December 31			
	2023		2022	
Area	**Gross amount**	**%**	Gross amount	%
Bohai Rim	**22,164,612**	**31.7**	28,089,108	24.8
Western Region	**16,510,885**	**23.6**	24,263,960	21.4
Central Region	**13,864,268**	**19.8**	27,012,644	23.8
Pearl River Delta	**8,369,359**	**12.0**	14,112,589	12.5
Yangtze River Delta	**6,819,353**	**9.8**	16,175,537	14.3
Northeastern Region	**2,181,642**	**3.1**	3,627,919	3.2
Total	**69,910,119**	**100.0**	113,281,757	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.
Western Region:	Including Chongqing, Sichuan, Guizhou, Yunnan, Shaanxi, Guangxi, Gansu, Qinghai, Xinjiang, Ningxia, and Inner Mongolia.
Bohai Rim:	Including Beijing, Tianjin, Hebei, and Shandong.
Yangtze River Delta:	Including Shanghai, Jiangsu, and Zhejiang.
Pearl River Delta:	Including Guangdong, Shenzhen, and Fujian.
Northeastern Region:	Including Liaoning, Jilin, and Heilongjiang.
Overseas:	Including Hong Kong and other overseas regions.

(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			
	2023		2022	
Industry	**Gross amount**	**%**	Gross amount	%
Corporate business				
Real estate	**121,437,064**	**25.7**	124,205,175	24.6
Manufacturing	**62,875,435**	**13.3**	58,061,176	11.5
Leasing and commercial services	**58,347,212**	**12.3**	62,603,027	12.4
Finance	**41,910,997**	**8.9**	38,472,993	7.6
Construction	**27,349,151**	**5.8**	29,165,796	5.8
Wholesale and retail trade	**18,406,688**	**3.9**	18,507,894	3.7
Mining	**18,043,961**	**3.8**	15,633,212	3.1
Production and supply of power, heat, gas and water	**17,918,722**	**3.8**	34,599,949	6.8
Others	**49,037,656**	**10.4**	64,970,687	12.7
Subtotal	**415,326,886**	**87.9**	446,219,909	88.2
Personal business				
Mortgage	**24,685,609**	**5.2**	27,249,679	5.4
Personal consumption loans	**21,510,368**	**4.6**	22,825,127	4.5
Subtotal	**46,195,977**	**9.8**	50,074,806	9.9
Loans to margin clients	**11,105,059**	**2.3**	9,545,621	1.9
Total	**472,627,922**	**100.0**	505,840,336	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

	As at December 31			
	2023		2022	
Industry	**Gross amount**	**%**	Gross amount	%
Real estate	**44,404,577**	**63.5**	53,665,568	47.4
Manufacturing	**6,485,464**	**9.3**	11,427,785	10.1
Wholesale and retail trade	**4,011,356**	**5.7**	6,987,797	6.2
Construction	**3,133,210**	**4.5**	5,940,710	5.2
Mining	**2,872,214**	**4.1**	7,153,781	6.3
Water conservancy, environment and public facilities management	**1,324,836**	**1.9**	6,007,255	5.3
Finance	**299,643**	**0.4**	5,200,160	4.6
Others	**7,378,819**	**10.6**	16,898,701	14.9
Total	**69,910,119**	**100.0**	113,281,757	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			
	2023		2022	
	Gross amount	**%**	Gross amount	%
Unsecured	**153,853,484**	**32.5**	155,466,422	30.7
Guaranteed	**75,965,407**	**16.1**	85,144,849	16.8
Mortgaged	**115,167,328**	**24.4**	167,380,415	33.1
Pledged	**127,641,703**	**27.0**	97,848,650	19.4
Total	**472,627,922**	**100.0**	505,840,336	100.0

Company

	As at December 31			
	2023		2022	
	Gross amount	**%**	Gross amount	%
Unsecured	**548,003**	**0.9**	3,106,392	2.7
Guaranteed	**1,851,759**	**2.6**	11,060,308	9.8
Mortgaged	**57,269,993**	**81.9**	83,873,209	74.0
Pledged	**10,240,364**	**14.6**	15,241,848	13.5
Total	**69,910,119**	**100.0**	113,281,757	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, 2023					Gross amount as at December 31, 2022				
	Up to 90 days (Including 90 days)	**91 to 360 days (Including 360 days)**	**361 days to 3 years (Including 3 years)**	**Over 3 years**	**Total**	Up to 90 days (Including 90 days)	91 to 360 days (Including 360 days)	361 days to 3 years (Including 3 years)	Over 3 years	Total
Distressed debt assets	**1,235,471**	**2,672,925**	**6,732,898**	**190,632**	**10,831,926**	4,430,668	5,299,749	6,119,613	190,632	16,040,662
Loans and advances to customers	**3,216,081**	**5,526,113**	**7,828,964**	**8,015,012**	**24,586,170**	7,774,151	9,765,283	1,394,817	752,473	19,686,724
Total	**4,451,552**	**8,199,038**	**14,561,862**	**8,205,644**	**35,418,096**	12,204,819	15,065,032	7,514,430	943,105	35,727,386

Company

	Gross amount as at December 31, 2023					Gross amount as at December 31, 2022				
	Up to 90 days (Including 90 days)	**91 to 360 days (Including 360 days)**	**361 days to 3 years (Including 3 years)**	**Over 3 years**	**Total**	Up to 90 days (Including 90 days)	91 to 360 days (Including 360 days)	361 days to 3 years (Including 3 years)	Over 3 years	Total
Distressed debt assets	**1,235,471**	**2,672,925**	**6,732,898**	**–**	**10,641,294**	4,430,668	5,299,749	6,119,613	–	15,850,030

(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	
	2023	2022
Neither past due nor impaired	**435,790,020**	468,192,420
Past due but not impaired (1)	**1,584,010**	19,702,347
Impaired (2)	**35,253,892**	17,945,569
Subtotal	**472,627,922**	505,840,336
Allowance for impairment losses	**(25,246,806)**	(23,505,010)
Net carrying amount	**447,381,116**	482,335,326

Company

	As at December 31	
	2023	2022
Neither past due nor impaired	**58,222,462**	96,983,404
Past due but not impaired (1)	**–**	4,877,866
Impaired (2)	**11,687,657**	11,420,487
Subtotal	**69,910,119**	113,281,757
Allowance for impairment losses	**(10,736,837)**	(13,060,548)
Net carrying amount	**59,173,282**	100,221,209

(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, 2023					Gross amount as at December 31, 2022				
	Up to 90 days (Including 90 days)	**91 to 360 days (Including 360 days)**	**361 days to 3 years (Including 3 years)**	**Over 3 years**	**Total**	Up to 90 days (Including 90 days)	91 to 360 days (Including 360 days)	361 days to 3 years (Including 3 years)	Over 3 years	Total
Distressed debt assets	**–**	**–**	**–**	**–**	**–**	4,430,668	447,198	–	–	4,877,866
Loans and advances to customers	**1,584,010**	**–**	**–**	**–**	**1,584,010**	7,211,963	7,612,518	–	–	14,824,481
Total	**1,584,010**	**–**	**–**	**–**	**1,584,010**	11,642,631	8,059,716	–	–	19,702,347

Company

	Gross amount as at December 31, 2023					Gross amount as at December 31, 2022				
	Up to 90 days (Including 90 days)	**91 to 360 days (Including 360 days)**	**361 days to 3 years (Including 3 years)**	**Over 3 years**	**Total**	Up to 90 days (Including 90 days)	91 to 360 days (Including 360 days)	361 days to 3 years (Including 3 years)	Over 3 years	Total
Distressed debt assets	**–**	**–**	**–**	**–**	**–**	4,430,668	447,198	–	–	4,877,866

(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, 2023		
	Gross amount	**Allowance for impairment losses**	**Net carrying amount**
Distressed debt assets	**11,878,289**	**(5,164,121)**	**6,714,168**
Loans and advances to customers	**23,375,603**	**(7,892,686)**	**15,482,917**
Total	**35,253,892**	**(13,056,807)**	**22,197,085**

	As at December 31, 2022		
	Gross amount	Allowance for impairment losses	Net carrying amount
Distressed debt assets	11,611,118	(6,340,338)	5,270,780
Loans and advances to customers	6,334,451	(3,463,520)	2,870,931
Total	17,945,569	(9,803,858)	8,141,711

(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)

Company

	As at December 31, 2023		
	Gross amount	**Allowance for impairment losses**	**Net carrying amount**
Distressed debt assets	**11,687,657**	**(4,993,213)**	**6,694,444**

	As at December 31, 2022		
	Gross amount	Allowance for impairment losses	Net carrying amount
Distressed debt assets	11,420,487	(6,170,452)	5,250,035

(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	
	2023	2022
Distressed debt assets		
Impaired	**11,878,289**	11,611,118
– Portion covered	**10,812,062**	11,611,118
– Portion not covered	**1,066,227**	–
Impaired as % of total distressed debt assets	**16.9**	10.2
Fair value of collateral	**12,394,997**	10,263,595
Loans and advances to customers		
Impaired	**23,375,603**	6,334,451
– Portion covered	**18,527,499**	5,801,409
– Portion not covered	**4,848,104**	533,042
Impaired as % of total loans and advances to customers	**5.8**	1.6
Fair value of collateral	**15,238,404**	7,110,880

Company

	As at December 31	
	2023	2022
Distressed debt assets		
Impaired	**11,687,657**	11,420,487
– Portion covered	**10,621,430**	11,420,487
– Portion not covered	**1,066,227**	–
Impaired as % of total distressed debt assets	**16.7**	10.1
Fair value of collateral	**12,204,365**	10,072,963

(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			
	2023		2022	
Area	**Gross amount**	**%**	Gross amount	%
Bohai Rim	**4,802,119**	**40.4**	3,521,656	30.3
Central Region	**2,688,864**	**22.6**	2,237,132	19.3
Western Region	**2,670,645**	**22.5**	1,844,085	15.9
Pearl River Delta	**1,201,418**	**10.1**	3,007,613	25.9
Yangtze River Delta	**338,849**	**2.9**	1,000,632	8.6
Northeastern Region	**176,394**	**1.5**	–	–
Total	**11,878,289**	**100.0**	11,611,118	100.0

Company

	As at December 31			
	2023		2022	
Area	**Gross amount**	**%**	Gross amount	%
Bohai Rim	**4,611,487**	**39.4**	3,331,024	29.2
Central Region	**2,688,864**	**23.0**	2,237,133	19.6
Western Region	**2,670,645**	**22.9**	1,844,085	16.1
Pearl River Delta	**1,201,418**	**10.3**	3,007,613	26.3
Yangtze River Delta	**338,849**	**2.9**	1,000,632	8.8
Northeastern Region	**176,394**	**1.5**	–	–
Total	**11,687,657**	**100.0**	11,420,487	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			
	2023		2022	
Area	**Gross amount**	**%**	Gross amount	%
Pearl River Delta	**9,258,422**	**39.6**	2,083,593	32.9
Bohai Rim	**8,763,006**	**37.5**	753,828	11.9
Overseas	**2,447,460**	**10.5**	1,910,074	30.2
Central Region	**1,310,448**	**5.6**	477,627	7.6
Western Region	**1,111,230**	**4.8**	647,100	10.2
Yangtze River Delta	**474,537**	**2.0**	53,668	0.8
Northeastern Region	**10,500**	**–**	408,561	6.4
Total	**23,375,603**	**100.0**	6,334,451	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	
	2023	2022
Neither past due nor impaired (1)	**208,218,523**	190,772,685
Past due but not impaired (2)	**9,704,579**	3,449,679
Impaired (3)	**12,578,819**	3,881,866
Subtotal	**230,501,921**	198,104,230
Allowance for impairment losses	**(5,441,486)**	(2,987,083)
Net carrying amounts	**225,060,435**	195,117,147

Company

	As at December 31	
	2023	2022
Neither past due nor impaired (1)	**5,380,302**	6,189,344
Past due but not impaired	**–**	–
Impaired	**2,895,426**	248,598
Subtotal	**8,275,728**	6,437,942
Allowance for impairment losses	**(908,247)**	(351,643)
Net carrying amounts	**7,367,481**	6,086,299

(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, 2023			As at December 31, 2022		
	Financial assets at amortized cost	**Financial assets at fair value through other comprehensive income**	**Total**	Financial assets at amortized cost	Financial assets at fair value through other comprehensive income	Total
Government bonds	**5,305,463**	**64,996,496**	**70,301,959**	10,016,178	53,610,728	63,626,906
Public sector and quasi-government bonds	**271,694**	**4,387,932**	**4,659,626**	269,499	2,810,626	3,080,125
Financial institution bonds	**855,069**	**63,271,078**	**64,126,147**	1,353,836	46,080,418	47,434,254
Corporate bonds	**180,802**	**30,284,986**	**30,465,788**	179,300	22,297,199	22,476,499
Trust products and rights to trust assets	**16,917,616**	**–**	**16,917,616**	23,364,167	–	23,364,167
Asset-backed securities	**–**	**27,451**	**27,451**	–	–	–
Debt investments	**20,376,377**	**–**	**20,376,377**	30,790,734	–	30,790,734
Others	**–**	**1,343,559**	**1,343,559**	–	–	–
Subtotal	**43,907,021**	**164,311,502**	**208,218,523**	65,973,714	124,798,971	190,772,685
Allowance for impairment losses	**(1,774,126)**	**–**	**(1,774,126)**	(1,364,293)	–	(1,364,293)
Total	**42,132,895**	**164,311,502**	**206,444,397**	64,609,421	124,798,971	189,408,392

(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, 2023			As at December 31, 2022		
	Financial assets at amortized cost	**Financial assets at fair value through other comprehensive income**	**Total**	Financial assets at amortized cost	Financial assets at fair value through other comprehensive income	Total
Trust products and rights to trust assets	**924,633**	**–**	**924,633**	992,780	–	992,780
Debt investments	**4,455,669**	**–**	**4,455,669**	5,196,564	–	5,196,564
Subtotal	**5,380,302**	**–**	**5,380,302**	6,189,344	–	6,189,344
Allowance for impairment losses	**(75,680)**	**–**	**(75,680)**	(247,721)	–	(247,721)
Total	**5,304,622**	**–**	**5,304,622**	5,941,623	–	5,941,623

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)

As at December 31, 2023, the carrying amount of neither past due nor impaired investment products at fair value through other comprehensive income was RMB164,311.50 million, the allowances of RMB325.01 million was recognized in other comprehensive income.

As at December 31, 2022, the carrying amount of neither past due nor impaired investment products at fair value through other comprehensive income was RMB124,798.97 million, the allowances of RMB371.19 million was recognized in other comprehensive income.

(2) Past due but not impaired

As at December 31, 2023, the gross amount of past due but not impaired investment products at amortized cost was RMB9,704.58 million with the allowance of RMB264.76 million recognized.

As at December 31, 2022, the gross amount of past due but not impaired investment products at amortized cost was RMB3,449.68 million with the allowance of RMB123.87 million recognized.

(3) Impaired

As at December 31, 2023, the carrying amount of the impaired investment products at fair value through other comprehensive income was RMB192.05 million million, the allowances of RMB186.56 million was recognized in other comprehensive income. The gross amount of the impaired other debt instruments at amortized cost was RMB12,386.77 million, and the allowances of RMB3,402.60 million was recognized.

As at December 31, 2022, the carrying amount of the impaired investment products at fair value through other comprehensive income was RMB135.28 million, the allowances of RMB127.57 million was recognized in other comprehensive income. The gross amount of the impaired other debt instruments at amortized cost was RMB3,746.59 million, and the allowances of RMB1,498.92 million was recognized.

(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, 2023						As at December 31, 2022					
	AAA	**AA**	**A**	**Below A**	**Unrated**	**Total**	AAA	AA	A	Below A	Unrated	Total
Government bonds	**13,400,497**	**54,804,518**	**148,679**	**-**	**1,909,098**	**70,262,792**	–	30,340,112	–	–	33,196,520	63,626,632
Public sector and quasi-government bonds	**1,755,799**	**2,903,827**	**-**	**-**	**1,900**	**4,661,526**	101,380	2,873,574	–	–	104,885	3,079,839
Financial institution bonds	**806,286**	**25,182,425**	**26,953,303**	**5,501,472**	**5,690,131**	**64,133,617**	–	24,641,273	16,816,747	5,975,969	–	47,433,989
Corporate bonds	**3,603,382**	**3,446,618**	**11,757,568**	**4,110,632**	**7,733,047**	**30,651,247**	4,049,492	2,030,248	7,871,101	6,311,273	2,349,362	22,611,476
Trust products and rights to trust assets	**-**	**-**	**-**	**-**	**20,658,786**	**20,658,786**	–	–	–	–	25,919,593	25,919,593
Asset-backed securities	**27,451**	**-**	**-**	**-**	**-**	**27,451**	–	–	–	–	–	–
Debt investments	**-**	**-**	**-**	**-**	**33,308,928**	**33,308,928**	–	–	–	–	32,445,618	32,445,618
Others	**-**	**-**	**-**	**-**	**1,356,088**	**1,356,088**	–	–	–	–	–	–
Total	**19,593,415**	**86,337,388**	**38,859,550**	**9,612,104**	**70,657,978**	**225,060,435**	4,150,872	59,975,207	24,687,848	12,287,242	94,015,978	195,117,147

(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

Company

	As at December 31, 2023						As at December 31, 2022					
	AAA	**AA**	**A**	**Below A**	**Unrated**	**Total**	AAA	AA	A	Below A	Unrated	Total
Trust products and rights to trust assets	**-**	**-**	**-**	**-**	**1,054,960**	**1,054,960**	-	-	-	-	1,119,604	1,119,604
Debt investments	**-**	**-**	**-**	**-**	**6,312,521**	**6,312,521**	-	-	-	-	4,966,695	4,966,695
											-	-
Total	**-**	**-**	**-**	**-**	**7,367,481**	**7,367,481**	-	-	-	-	6,086,299	6,086,299

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, 2023						
	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	**14,714,197**	**–**	**–**	**–**	**–**	**523,309**	**15,237,506**
Deposits with banks and financial institutions	**77,578,341**	**3,405,375**	**283,308**	**–**	**–**	**730,592**	**81,997,616**
Placements with banks and financial institutions	**22,377,862**	**1,711,923**	**80,000**	**–**	**–**	**–**	**24,169,785**
Deposits with exchanges and others	**2,622,029**	**–**	**–**	**–**	**–**	**–**	**2,622,029**
Financial assets at fair value through profit or loss	**6,060,550**	**6,571,359**	**25,404,599**	**97,181,292**	**5,811,914**	**377,280,106**	**518,309,820**
Financial assets at fair value through other comprehensive income	**14,749,072**	**30,795,387**	**48,929,435**	**64,095,517**	**5,934,140**	**6,372,307**	**170,875,858**
Loans and advances to customers	**199,282,095**	**38,645,201**	**76,999,537**	**83,876,666**	**2,381,560**	**1,976,700**	**403,161,759**
Financial assets at amortized cost	**11,525,787**	**3,551,412**	**36,773,274**	**64,676,656**	**523,227**	**2,699,533**	**119,749,889**
Accounts receivable	**145,410**	**–**	**357,946**	**–**	**–**	**3,683,353**	**4,186,709**
Financial assets held under resale agreements	**8,802,761**	**–**	**–**	**429,482**	**–**	**6,896**	**9,239,139**
Other financial assets	**–**	**–**	**–**	**105,334**	**23,729**	**9,890,834**	**10,019,897**
Total financial assets	**357,858,104**	**84,680,657**	**188,828,099**	**310,364,947**	**14,674,570**	**403,163,630**	**1,359,570,007**

(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, 2023						
	Less than 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Non-interest-bearing	Total
Borrowings from central bank	–	–	–	–	–	(986,058)	(986,058)
Accounts payable to brokerage clients	(16,945,535)	–	–	–	–	(318,549)	(17,264,084)
Due to customers	(280,764,821)	(7,784,330)	(27,794,621)	(6,795,958)	–	(16,080,059)	(339,219,789)
Deposits from banks and financial institutions	(14,994,573)	–	–	–	–	–	(14,994,573)
Placements from banks and financial institutions	(22,089,615)	(4,515,781)	(2,768,785)	–	–	(100,414)	(29,474,595)
Financial liabilities at fair value through profit or loss	(4,865,644)	(610,855)	(1,396,642)	–	–	(2,576,058)	(9,449,199)
Financial assets sold under repurchase agreements	(32,163,760)	–	–	(1,000,000)	–	(174,289)	(33,338,049)
Borrowings	(31,167,380)	(65,771,410)	(255,940,022)	(197,315,910)	(5,580,562)	(3,095,218)	(558,870,502)
Bonds issued	(13,075,270)	(17,969,435)	(45,299,713)	(165,066,151)	(60,636,602)	(714,961)	(302,762,132)
Accounts payable	(205,010)	(3,241)	(177,471)	(21)	(9,633)	(4,387,615)	(4,782,991)
Other financial liabilities	(2,664)	(34,189)	(370,056)	(7,319,127)	–	(26,735,332)	(34,461,368)
Total financial liabilities	(416,274,272)	(96,689,241)	(333,747,310)	(377,497,167)	(66,226,797)	(55,168,553)	(1,345,603,340)
Interest rate gap	(58,416,168)	(12,008,584)	(144,919,211)	67,132,220	(51,552,227)	347,995,077	13,966,667

(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, 2022						
	Less than 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Non-interest-bearing	Total
Cash and balances with central banks	10,497,116	–	–	–	–	6,180,260	16,677,376
Deposits with banks and financial institutions	85,846,756	6,373,038	–	–	–	5,610,294	97,830,088
Placements with banks and financial institutions	29,873,481	3,621,230	930,288	–	–	–	34,424,999
Deposits with exchanges and others	2,334,962	–	–	–	–	–	2,334,962
Financial assets at fair value through profit or loss	8,342,665	4,891,063	25,919,843	56,753,006	4,567,507	403,021,821	503,495,905
Financial assets at fair value through other comprehensive income	2,155,489	12,038,667	24,793,215	83,506,060	1,325,024	6,669,226	130,487,681
Loans and advances to customers	230,713,789	40,566,168	84,074,987	38,680,906	1,963,050	531,088	396,529,988
Financial assets at amortized cost	21,829,039	10,294,807	65,190,229	72,472,758	207,477	–	169,994,310
Accounts receivable	367,520	–	–	–	–	4,435,810	4,803,330
Financial assets held under resale agreements	29,154,015	288	909,307	–	–	11,757	30,075,367
Other financial assets	2,000	6,850	43,342	56,850	589	11,714,335	11,823,966
Total financial assets	421,116,832	77,792,111	201,861,211	251,469,580	8,063,647	438,174,591	1,398,477,972

(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, 2022						
	Less than 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Non-interest-bearing	Total
Borrowings from central bank	–	–	–	–	–	(986,058)	(986,058)
Accounts payable to brokerage clients	(12,786,214)	–	–	–	–	(6,320,999)	(19,107,213)
Due to customers	(130,543,069)	(88,653,368)	(82,322,697)	(7,884,343)	–	(13,637,052)	(323,040,529)
Deposits from banks and financial institutions	(865,362)	(3,818,706)	(4,231,331)	(3,790,000)	–	(143,440)	(12,848,839)
Placements from banks and financial institutions	(14,224,551)	(2,082,119)	(4,103,453)	–	–	(67,927)	(20,478,050)
Financial liabilities at fair value through profit or loss	(4,524,843)	(779,321)	(1,272,096)	–	–	(4,108,629)	(10,684,889)
Financial assets sold under repurchase agreements	(24,671,175)	(6,747,322)	(10,784,982)	(1,000,000)	–	(222,166)	(43,425,645)
Borrowings	(57,518,994)	(51,336,673)	(306,335,312)	(194,899,970)	(1,882,810)	(3,384,165)	(615,357,924)
Bonds issued	(570,819)	(28,361,598)	(29,558,039)	(145,980,512)	(82,867,979)	(5,543,845)	(292,882,792)
Accounts payable	–	–	–	–	–	(4,946,903)	(4,946,903)
Other financial liabilities	(128,068)	(66,832)	(1,070,900)	(795,055)	(121,926)	(35,578,112)	(37,760,893)
Total financial liabilities	(245,833,095)	(181,845,939)	(439,678,810)	(354,349,880)	(84,872,715)	(74,939,296)	(1,381,519,735)
Interest rate gap	175,283,737	(104,053,828)	(237,817,599)	(102,880,300)	(76,809,068)	363,235,295	16,958,237

(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, 2023						
	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	279	–	–	–	–	243	522
Deposits with banks and financial institutions	22,204,244	2,966,505	–	–	–	221,597	25,392,346
Financial assets at fair value through profit or loss	21,000	–	13,878,732	72,044,545	4,440,814	303,882,733	394,267,824
Accounts receivable	139,260	–	357,946	–	–	690,158	1,187,364
Financial assets held under resale agreements	5,743,668	–	–	–	–	4,114	5,747,782
Amounts due from subsidiaries	3,541,350	13,379,261	3,442,031	–	–	20,343,872	40,706,514
Financial assets at fair value through other comprehensive income	–	–	–	–	–	5,028,788	5,028,788
Financial assets at amortized cost	9,036,679	1,093,874	19,846,688	36,221,612	341,910	–	66,540,763
Interests in consolidated structured entities	2,073,107	–	9,185,485	20,432,823	43,656	13,545,634	45,280,705
Other financial assets	–	–	–	–	–	4,961,929	4,961,929
Total financial assets	42,759,587	17,439,640	46,710,882	128,698,980	4,826,380	348,679,068	589,114,537
Borrowings from central bank	–	–	–	–	–	(986,058)	(986,058)
Placements from banks and a financial institution	(2,780,000)	–	–	–	–	(1,401)	(2,781,401)
Financial liabilities at fair value through profit or loss	–	–	–	–	–	(1,483,959)	(1,483,959)
Borrowings	(19,420,000)	(49,005,000)	(203,815,600)	(148,950,000)	–	(1,824,268)	(423,014,868)
Bonds issued	(6,106,507)	(4,295,189)	(18,020,076)	(91,500,776)	(20,550,529)	–	(140,473,077)
Accounts payable	–	–	–	–	–	(1,000)	(1,000)
Other financial liabilities	–	–	–	–	–	(4,135,394)	(4,135,394)
Total financial liabilities	(28,306,507)	(53,300,189)	(221,835,676)	(240,450,776)	(20,550,529)	(8,432,080)	(572,875,757)
Interest rate gap	14,453,080	(35,860,549)	(175,124,794)	(111,751,796)	(15,724,149)	340,246,988	16,238,780

(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, 2022						
	Less than 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Non-interest-bearing	Total
Cash and balances with central banks	2,427	–	–	–	–	213	2,640
Deposits with banks and financial institutions	30,810,764	6,369,205	–	–	–	–	37,179,969
Financial assets at fair value through profit or loss	4,997,989	796,846	10,834,382	30,957,874	965,615	337,001,664	385,554,370
Accounts receivable	361,386	–	–	–	–	1,560,206	1,921,592
Financial assets held under resale agreements	24,906,232	–	–	–	–	7,879	24,914,111
Amounts due from subsidiaries	15,207,150	–	4,500,000	10,578,865	–	270,743	30,556,758
Financial assets at fair value through other comprehensive income	–	–	–	–	–	4,484,509	4,484,509
Financial assets at amortized cost	12,806,390	9,460,766	38,804,444	44,597,890	207,477	–	105,876,967
Interests in consolidated structured entities	3,056,973	183,214	9,525,898	17,858,850	–	8,522,075	39,147,010
Other financial assets	–	2,500	11,000	–	–	6,773,122	6,786,622
Total financial assets	92,149,311	16,812,531	63,675,724	103,993,479	1,173,092	358,620,411	636,424,548
Borrowings from central bank	–	–	–	–	–	(986,058)	(986,058)
Placements from banks and a financial institution	(4,040,000)	–	–	–	–	(1,048)	(4,041,048)
Financial liabilities at fair value through profit or loss	–	–	–	–	–	(95,851)	(95,851)
Borrowings	(28,940,000)	(31,005,000)	(257,737,000)	(168,589,800)	–	(2,586,273)	(488,858,073)
Bonds issued	–	(10,265,381)	(3,996,437)	(62,067,614)	(45,811,559)	(3,254,174)	(125,395,165)
Accounts payable	–	–	–	–	–	(21,000)	(21,000)
Other financial liabilities	–	–	–	–	–	(5,626,781)	(5,626,781)
Total financial liabilities	(32,980,000)	(41,270,381)	(261,733,437)	(230,657,414)	(45,811,559)	(12,571,185)	(625,023,976)
Interest rate gap	59,169,311	(24,457,850)	(198,057,713)	(126,663,935)	(44,638,467)	346,049,226	11,400,572

(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			
	2023		2022	
	Profit before tax	**Other comprehensive income**	Profit before tax	Other comprehensive income
+ 100 basis points	**(1,203,340)**	**(3,261,052)**	(79,129)	(2,356,416)
– 100 basis points	**1,203,340**	**3,364,935**	79,129	2,428,702

Company

	As at December 31			
	2023		2022	
	Profit before tax	**Other comprehensive income**	Profit before tax	Other comprehensive income
+ 100 basis points	**(817,047)**	**–**	(379,493)	–
– 100 basis points	**817,047**	**–**	379,493	–

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.

(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)

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, 2023				
	RMB	USD (RMB equivalent)	HKD (RMB equivalent)	Other currencies (RMB equivalent)	Total (RMB equivalent)
Cash and balances with central banks	11,930,001	417,569	2,811,609	78,327	15,237,506
Deposits with banks and financial institutions	66,311,350	10,730,502	1,236,528	3,719,236	81,997,616
Placements with banks and financial institutions	3,302,957	15,820,615	1,508,770	3,537,443	24,169,785
Deposits with exchanges and others	2,613,294	1,912	6,823	–	2,622,029
Financial assets at fair value through profit or loss	472,132,166	34,796,179	8,674,111	2,707,364	518,309,820
Financial assets at amortized cost	113,664,467	1,913,246	3,992,687	179,489	119,749,889
Financial assets at fair value through other comprehensive income	31,747,938	43,474,125	36,475,055	59,178,740	170,875,858
Loans and advances to customers	146,075,079	55,292,886	114,273,765	87,520,029	403,161,759
Accounts receivable	3,816,486	79,847	208,934	81,442	4,186,709
Financial assets held under resale agreements	9,239,139	–	–	–	9,239,139
Other financial assets	7,704,038	875,877	1,261,276	178,706	10,019,897
Total financial assets	868,536,915	163,402,758	170,449,558	157,180,776	1,359,570,007

(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, 2023				
	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	(17,135,355)	–	(128,729)	–	(17,264,084)
Due to customers	(26,821,952)	(65,770,319)	(180,663,283)	(65,964,235)	(339,219,789)
Deposits from banks and financial institutions	(13,829,509)	(674,766)	(490,298)	–	(14,994,573)
Placements from banks and financial institutions	(23,210,863)	(1,019,315)	(72,506)	(5,171,911)	(29,474,595)
Financial liabilities at fair value through profit or loss	(1,355,866)	(40,717)	(6,608,502)	(1,444,114)	(9,449,199)
Financial assets sold under repurchase agreements	(14,436,475)	(16,571,004)	(2,330,570)	–	(33,338,049)
Borrowings	(521,324,484)	(12,982,672)	(24,323,162)	(240,184)	(558,870,502)
Bonds issued	(214,877,656)	(87,884,476)	–	–	(302,762,132)
Accounts payable	(4,527,214)	(77,317)	(156,177)	(22,283)	(4,782,991)
Other financial liabilities	(33,024,237)	(310,289)	(903,599)	(223,243)	(34,461,368)
Total financial liabilities	(871,529,669)	(185,330,875)	(215,676,826)	(73,065,970)	(1,345,603,340)
Net exposure	(2,992,754)	(21,928,117)	(45,227,268)	84,114,806	13,966,667

(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, 2022				
	RMB	USD (RMB equivalent)	HKD (RMB equivalent)	Other currencies (RMB equivalent)	Total (RMB equivalent)
Cash and balances with central banks	9,795,195	645,854	6,205,405	30,922	16,677,376
Deposits with banks and financial institutions	63,464,871	24,689,959	9,066,972	608,286	97,830,088
Placements with banks and financial institutions	2,245,518	21,045,934	11,133,547	–	34,424,999
Deposits with exchanges and others	2,331,743	1,880	1,339	–	2,334,962
Financial assets at fair value through profit or loss	460,772,355	31,252,538	10,539,710	931,302	503,495,905
Financial assets at amortized cost	158,499,355	3,569,412	7,550,149	375,394	169,994,310
Financial assets at fair value through other comprehensive income	55,262,034	31,906,191	26,919,697	16,399,759	130,487,681
Loans and advances to customers	204,172,053	59,947,490	126,307,499	6,102,946	396,529,988
Accounts receivable	4,588,128	184,941	30,098	163	4,803,330
Financial assets held under resale agreements	30,075,367	–	–	–	30,075,367
Other financial assets	9,151,716	1,083,365	1,186,351	402,534	11,823,966
Total financial assets	1,000,358,335	174,327,564	198,940,767	24,851,306	1,398,477,972

(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, 2022				
	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	(18,983,245)	–	(123,968)	–	(19,107,213)
Due to customers	(89,055,686)	(73,341,141)	(151,844,394)	(8,799,308)	(323,040,529)
Deposits from banks and financial institutions	(11,639,721)	(700,781)	(508,270)	(67)	(12,848,839)
Placements from banks and financial institutions	(16,365,911)	(3,451,434)	(275,870)	(384,835)	(20,478,050)
Financial liabilities at fair value through profit or loss	(488,723)	(1,067,663)	(7,272,194)	(1,856,309)	(10,684,889)
Financial assets sold under repurchase agreements	(12,782,429)	(16,543,922)	(14,099,294)	–	(43,425,645)
Borrowings	(582,489,179)	(10,280,088)	(22,347,404)	(241,253)	(615,357,924)
Bonds issued	(198,030,409)	(94,843,379)	(9,004)	–	(292,882,792)
Accounts payable	(4,395,705)	(396,771)	(142,869)	(11,558)	(4,946,903)
Other financial liabilities	(36,874,331)	(414,642)	(444,910)	(27,010)	(37,760,893)
Total financial liabilities	(972,091,397)	(201,039,821)	(197,068,177)	(11,320,340)	(1,381,519,735)
Net exposure	28,266,938	(26,712,257)	1,872,590	13,530,966	16,958,237

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	
	2023	2022
5% appreciation	**897,180**	565,435
5% depreciation	**(897,180)**	(565,435)

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)

71. Financial risk management (Continued)

71.2 Market risk (Continued)

Foreign exchange risk (Continued)

Price risk (Continued)

Group

	As at December 31			
	2023		2022	
	Profit before tax	**Equity**	Profit before tax	Equity
+1 percent	**1,085,812**	**63,723**	1,281,836	55,534
– 1 percent	**(1,085,812)**	**(63,723)**	(1,281,836)	(55,534)

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, 2023							
	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	–	15,237,506	–	–	–	–	–	15,237,506
Deposits with banks and financial institutions	–	76,599,612	1,731,046	3,448,470	283,308	–	–	82,062,436
Placements with banks and financial institutions	–	–	22,409,753	1,718,442	81,228	–	–	24,209,423
Deposits with exchanges and others	2,622,029	–	–	–	–	–	–	2,622,029
Financial assets at fair value through profit or loss	358,534,463	4,782,238	6,213,392	5,937,623	35,913,820	158,190,528	7,905,275	577,477,339
Loans and advances to customers	23,862,510	36,921,964	13,172,379	27,018,538	105,548,011	196,130,717	54,564,785	457,218,904
Accounts receivable	555,823	2,589,237	14,938	597	168,470	478,391	19,135	3,826,591
Financial assets held under resale agreements	–	–	8,811,091	–	–	429,482	–	9,240,573
Financial assets at fair value through other comprehensive income	6,366,137	7,520,190	20,458,515	51,066,844	74,281,357	8,158,429	3,024,386	170,875,858
Financial assets at amortized cost	18,823,000	2,489,623	3,275,020	6,150,565	41,125,781	73,501,378	983,961	146,349,328
Other financial assets	4,517,722	1,830,572	632,017	–	126,698	2,874,815	493,551	10,475,375
Total financial assets	415,281,684	147,970,942	76,718,151	95,341,079	257,528,673	439,763,740	66,991,093	1,499,595,362

(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, 2023							
	Past due/ undated	On demand	Less than 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
Borrowings from central bank	–	(986,058)	–	–	–	–	–	(986,058)
Accounts payable to brokerage clients	–	(17,264,084)	–	–	–	–	–	(17,264,084)
Due to customers	(89,545,426)	(63,080,185)	(87,663,725)	(90,490,305)	(8,440,148)	–	–	(339,219,789)
Deposits from banks and financial institutions	(14,994,573)	–	–	–	–	–	–	(14,994,573)
Placements from banks and financial institutions	(10,601,777)	–	(4,382,869)	(14,197,912)	(302,637)	–	–	(29,485,195)
Financial liabilities at fair value through profit or loss	–	(669,595)	(5,187,327)	(903,606)	(1,679,679)	(986,662)	(22,337)	(9,449,206)
Financial assets sold under repurchase agreements	–	(90,731)	(12,990,540)	(14,178,626)	(5,078,157)	(1,001,865)	–	(33,339,919)
Borrowings	–	–	(30,450,311)	(70,440,110)	(268,060,710)	(213,241,030)	(9,724,300)	(591,916,461)
Bonds issued	(274,714)	–	(7,054,565)	(14,182,798)	(58,729,643)	(199,994,856)	(69,288,599)	(349,525,175)
Accounts payable	(647,675)	(3,943,434)	(1,516)	(3,241)	(177,471)	(21)	(9,633)	(4,782,991)
Other financial liabilities	(14,947,884)	(5,586,405)	(516,238)	(166,524)	(1,628,708)	(12,639,476)	(145,919)	(35,631,154)
Total financial liabilities	(131,012,049)	(91,620,492)	(148,247,091)	(204,563,122)	(344,097,153)	(427,863,910)	(79,190,788)	(1,426,594,605)
Net position	284,269,635	56,350,450	(71,528,940)	(109,222,043)	(86,568,480)	11,899,830	(12,199,695)	73,000,757

(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, 2022							
	Past due/ undated	On demand	Less than 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
Cash and balances with central banks	10,443,917	6,233,562	–	–	–	–	–	16,677,479
Deposits with banks and financial institutions	133	87,059,377	4,673,692	6,435,814	–	–	–	98,169,016
Placements with banks and financial institutions	–	–	30,038,402	3,838,395	1,063,408	–	–	34,940,205
Deposits with exchanges and others	2,334,962	–	–	–	–	–	–	2,334,962
Financial assets at fair value through profit or loss	388,014,764	7,202,425	8,760,187	5,704,246	31,845,366	62,889,156	4,838,481	509,254,625
Loans and advances to customers	9,382,356	24,452,818	18,051,166	27,009,327	113,839,618	186,155,160	63,684,174	442,574,619
Accounts receivable	129,583	3,357,583	408,827	17,660	613,948	278,015	–	4,805,616
Financial assets held under resale agreements	157,470	–	29,047,882	310	909,307	–	–	30,114,969
Financial assets at fair value through other comprehensive income	5,631,540	–	2,107,212	12,081,541	25,199,751	90,767,206	1,573,986	137,361,236
Financial assets at amortized cost	21,444,925	1,291,714	6,023,597	11,414,984	71,388,707	95,893,120	285,903	207,742,950
Other financial assets	690,233	10,008,263	687,224	7,261	47,111	386,887	606	11,827,585
Total financial assets	438,229,883	139,605,742	99,798,189	66,509,538	244,907,216	436,369,544	70,383,150	1,495,803,262

(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, 2022							
	Past due/ undated	On demand	Less than 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
Borrowings from central bank	–	(986,058)	–	–	–	–	–	(986,058)
Accounts payable to brokerage clients	–	(19,107,213)	–	–	–	–	–	(19,107,213)
Due to customers	–	(99,330,675)	(44,094,955)	(89,996,550)	(82,998,633)	(8,240,773)	–	(324,661,586)
Deposits from banks and financial institutions	–	(550,134)	(332,682)	(4,071,858)	(4,499,946)	(4,626,668)	–	(14,081,288)
Placements from banks and financial institutions	–	(12,225)	(14,239,696)	(2,104,464)	(4,196,753)	–	–	(20,553,138)
Financial liabilities at fair value through profit or loss	–	(3,180,095)	(4,685,079)	(1,028,197)	(1,547,203)	(270,639)	–	(10,711,213)
Financial assets sold under repurchase agreements	–	(1,870,457)	(22,918,841)	(6,868,107)	(11,068,647)	(1,197,500)	–	(43,923,552)
Borrowings	–	(23,915,890)	(38,962,328)	(51,469,887)	(313,615,451)	(208,154,449)	(2,973,884)	(639,091,889)
Bonds issued	–	–	(576,705)	(28,890,856)	(30,578,844)	(165,135,615)	(110,672,782)	(335,854,802)
Accounts payable	–	(465,407)	(61,572)	(3)	(4,373,339)	(24,248)	(22,334)	(4,946,903)
Other financial liabilities	–	(28,230,245)	(1,379,083)	(151,970)	(2,423,780)	(5,990,985)	(239,269)	(38,415,332)
Total financial liabilities	–	(177,648,399)	(127,250,941)	(184,581,892)	(455,302,596)	(393,640,877)	(113,908,269)	(1,452,332,974)
Net position	438,229,883	(38,042,657)	(27,452,752)	(118,072,354)	(210,395,380)	42,728,667	(43,525,119)	43,470,288

(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, 2023							
	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	–	522	–	–	–	–	–	522
Deposits with banks and financial institutions	–	20,934,425	1,513,141	3,009,600	–	–	–	25,457,166
Financial assets at fair value through profit or loss	303,686,781	801,871	21,000	–	18,282,880	112,328,959	4,440,814	439,562,305
Accounts receivable	647,163	–	–	–	150,267	422,324	–	1,219,754
Financial assets held under resale agreements	–	–	5,749,216	–	–	–	–	5,749,216
Amounts due from subsidiaries	20,343,872	–	3,541,350	13,379,261	3,442,031	–	–	40,706,514
Financial assets at fair value through other comprehensive income	5,028,788	–	–	–	–	–	–	5,028,788
Financial assets at amortized cost	14,583,084	–	1,828,554	2,526,051	24,357,827	40,831,646	215,696	84,342,858
Interests in consolidated structured entities	15,881,487	–	34,611	750,396	13,043,180	34,489,060	488,747	64,687,481
Other financial assets	4,961,929	–	–	–	–	–	–	4,961,929
Total financial assets	365,133,104	21,736,818	12,687,872	19,665,308	59,276,185	188,071,989	5,145,257	671,716,533
Borrowings from central bank	–	(986,058)	–	–	–	–	–	(986,058)
Placements from banks and a financial institution	–	–	(2,781,401)	–	–	–	–	(2,781,401)
Financial liabilities at fair value through profit or loss	–	–	–	–	–	(1,483,959)	–	(1,483,959)
Borrowings	–	–	(19,574,420)	(51,543,168)	(213,260,461)	(160,781,300)	–	(445,159,349)
Bonds issued	–	–	–	–	(29,693,379)	(123,912,923)	(27,914,833)	(181,521,135)
Accounts payable	(1,000)	–	–	–	–	–	–	(1,000)
Other financial liabilities	(4,135,394)	–	–	–	–	–	–	(4,135,394)
Total financial liabilities	(4,136,394)	(986,058)	(22,355,821)	(51,543,168)	(242,953,840)	(286,178,182)	(27,914,833)	(636,068,296)
Net position	360,996,710	20,750,760	(9,667,949)	(31,877,860)	(183,677,655)	(98,106,193)	(22,769,576)	35,648,237

(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, 2022							
	Past due/ undated	On demand	Less than 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
Cash and balances with central banks	–	2,640	–	–	–	–	–	2,640
Deposits with banks and financial institutions	–	29,405,349	1,411,010	6,431,981	–	–	–	37,248,340
Financial assets at fair value through profit or loss	338,567,307	723,403	5,164,364	796,846	11,051,891	31,762,016	997,759	389,063,586
Accounts receivable	1,605	712,887	363,673	–	574,814	270,900	–	1,923,879
Financial assets held under resale agreements	–	–	24,923,477	–	–	–	–	24,923,477
Amounts due from subsidiaries	4,673	15,073,130	400,090	–	5,376,539	10,775,738	–	31,630,170
Financial assets at fair value through other comprehensive income	4,484,509	–	–	–	–	–	–	4,484,509
Financial assets at amortized cost	15,668,085	–	3,848,224	9,658,573	43,467,356	62,486,161	285,903	135,414,302
Interests in consolidated structured entities	11,095,761	–	1,014,988	185,658	10,070,275	19,772,887	–	42,139,569
Other financial assets	430,541	6,019,960	–	2,500	11,000	322,621	–	6,786,622
Total financial assets	370,252,481	51,937,369	37,125,826	17,075,558	70,551,875	125,390,323	1,283,662	673,617,094
Borrowings from central bank	–	(986,058)	–	–	–	–	–	(986,058)
Placements from banks and a financial institution	–	–	(4,041,430)	–	–	–	–	(4,041,430)
Financial liabilities at fair value through profit or loss	–	–	–	–	–	(95,851)	–	(95,851)
Borrowings	–	–	(29,640,766)	(31,340,953)	(263,546,545)	(178,237,974)	–	(502,766,238)
Bonds issued	–	–	–	(10,511,027)	(4,172,633)	(71,821,064)	(60,651,381)	(147,156,105)
Accounts payable	–	–	–	–	–	(21,000)	–	(21,000)
Other financial liabilities	–	(5,304,161)	–	–	–	(322,620)	–	(5,626,781)
Total financial liabilities	–	(6,290,219)	(33,682,196)	(41,851,980)	(267,719,178)	(250,498,509)	(60,651,381)	(660,693,463)
Net position	370,252,481	45,647,150	3,443,630	(24,776,422)	(197,167,303)	(125,108,186)	(59,367,719)	12,923,631

(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, 2023							
	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	–	15,237,506	–	–	–	–	–	15,237,506
Deposits with banks and financial institutions	–	76,599,612	1,709,321	3,405,375	283,308	–	–	81,997,616
Placements with banks and financial institutions	–	–	22,377,862	1,711,923	80,000	–	–	24,169,785
Deposits with exchanges and others	2,622,029	–	–	–	–	–	–	2,622,029
Financial assets at fair value through profit or loss	358,581,652	4,782,238	5,671,189	5,810,233	32,211,402	103,793,741	7,459,365	518,309,820
Loans and advances to customers	23,335,886	34,507,815	18,584,497	17,917,571	94,744,862	166,593,507	47,477,621	403,161,759
Accounts receivable	948,331	2,589,237	14,938	597	158,203	456,268	19,135	4,186,709
Financial assets held under resale agreements	–	–	8,809,657	–	–	429,482	–	9,239,139
Financial assets at fair value through other comprehensive income	6,366,137	7,520,190	20,458,515	51,066,844	74,281,357	8,158,429	3,024,386	170,875,858
Financial assets at amortized cost	10,744,104	2,489,181	2,458,296	3,904,960	35,959,204	63,670,917	523,227	119,749,889
Other financial assets	4,537,006	1,860,686	632,017	–	126,698	2,839,762	23,728	10,019,897
Total financial assets	407,135,145	145,586,465	80,716,292	83,817,503	237,845,034	345,942,106	58,527,462	1,359,570,007

(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, 2023							
	Past due/ undated	On demand	Less than 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
Borrowings from central bank	–	(986,058)	–	–	–	–	–	(986,058)
Accounts payable to brokerage clients	–	(17,264,084)	–	–	–	–	–	(17,264,084)
Due to customers	(89,545,426)	(63,080,185)	(87,663,725)	(90,490,305)	(8,440,148)	–	–	(339,219,789)
Deposits from banks and financial institutions	(14,994,573)	–	–	–	–	–	–	(14,994,573)
Placements from banks and financial institutions	(10,601,777)	–	(17,110,474)	(1,462,173)	(300,171)	–	–	(29,474,595)
Financial liabilities at fair value through profit or loss	–	(669,595)	(5,187,326)	(903,606)	(1,679,673)	(985,332)	(23,667)	(9,449,199)
Financial assets sold under repurchase agreements	–	–	(24,793,147)	(2,464,880)	(5,078,157)	(1,001,865)	–	(33,338,049)
Borrowings	–	–	(30,246,131)	(67,844,222)	(258,107,049)	(197,056,007)	(5,617,093)	(558,870,502)
Bonds issued	(274,714)	–	(13,490,286)	(16,17,972,613)	(45,305,766)	(165,082,151)	(60,636,602)	(302,762,132)
Accounts payable	(647,675)	(3,943,434)	(1,516)	(3,241)	(177,471)	(21)	(9,633)	(4,782,991)
Other financial liabilities	(15,210,110)	(4,994,973)	(515,813)	(162,276)	(1,191,705)	(12,240,571)	(145,920)	(34,461,368)
Total financial liabilities	(131,274,275)	(90,938,329)	(179,008,418)	(181,303,316)	(320,280,140)	(376,365,947)	(66,432,915)	(1,345,603,340)
Net position	275,860,870	54,648,136	(98,292,126)	(97,485,813)	(82,435,106)	(30,423,841)	(7,905,453)	13,966,667

(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, 2022							
	Past due/ undated	On demand	Less than 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
Cash and balances with central banks	10,443,814	6,233,562	–	–	–	–	–	16,677,376
Deposits with banks and financial institutions	133	87,059,377	4,397,540	6,373,038	–	–	–	97,830,088
Placements with banks and financial institutions	–	–	29,873,481	3,621,230	930,288	–	–	34,424,999
Deposits with exchanges and others	2,334,962	–	–	–	–	–	–	2,334,962
Financial assets at fair value through profit or loss	385,420,215	7,179,120	8,283,025	5,602,098	31,292,726	60,912,384	4,806,337	503,495,905
Loans and advances to customers	8,618,654	24,449,047	16,726,318	24,327,422	104,023,412	167,951,868	50,433,267	396,529,988
Accounts receivable	129,583	3,357,583	406,541	17,660	613,948	278,015	–	4,803,330
Financial assets held under resale agreements	129,883	–	29,035,870	307	909,307	–	–	30,075,367
Financial assets at fair value through other comprehensive income	5,631,540	–	2,104,031	12,065,428	24,929,246	84,417,116	1,340,320	130,487,681
Financial assets at amortized cost	14,623,911	1,291,714	5,913,414	10,294,807	65,190,229	72,472,758	207,477	169,994,310
Other financial assets	690,233	10,008,263	687,224	7,261	45,389	385,007	589	11,823,966
Total financial assets	428,022,928	139,578,666	97,427,444	62,309,251	227,934,545	386,417,148	56,787,990	1,398,477,972

(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, 2022							
	Past due/ undated	On demand	Less than 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
Borrowings from central bank	–	(986,058)	–	–	–	–	–	(986,058)
Accounts payable to brokerage clients	–	(19,107,213)	–	–	–	–	–	(19,107,213)
Due to customers	–	(98,066,048)	(43,772,359)	(89,996,550)	(82,998,633)	(8,206,939)	–	(323,040,529)
Deposits from banks and financial institutions	–	(550,134)	(323,427)	(3,832,351)	(4,233,652)	(3,909,275)	–	(12,848,839)
Placements from banks and financial institutions	–	(12,225)	(14,235,083)	(2,096,264)	(4,134,478)	–	–	(20,478,050)
Financial liabilities at fair value through profit or loss	–	(3,180,095)	(4,682,830)	(1,025,128)	(1,526,197)	(270,639)	–	(10,684,889)
Financial assets sold under repurchase agreements	–	(1,849,053)	(22,895,673)	(6,818,024)	(10,860,701)	(1,002,194)	–	(43,425,645)
Borrowings	–	(20,170,783)	(38,911,570)	(51,216,435)	(307,727,080)	(195,444,781)	(1,887,275)	(615,357,924)
Bonds issued	–	–	(576,249)	(28,745,812)	(29,757,475)	(148,567,284)	(85,235,972)	(292,882,792)
Accounts payable	–	(465,407)	(61,572)	(3)	(4,373,339)	(24,248)	(22,334)	(4,946,903)
Other financial liabilities	–	(28,224,234)	(767,974)	(148,249)	(2,407,484)	(5,973,793)	(239,159)	(37,760,893)
Total financial liabilities	–	(172,611,250)	(126,226,737)	(183,878,816)	(448,019,039)	(363,399,153)	(87,384,740)	(1,381,519,735)
Net position	428,022,928	(33,032,584)	(28,799,293)	(121,569,565)	(220,084,494)	23,017,995	(30,596,750)	16,958,237

(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, 2023							
	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	–	522	–	–	–	–	–	522
Deposits with banks and financial institutions	–	20,934,425	1,491,416	2,966,505	–	–	–	25,392,346
Financial assets at fair value through profit or loss	300,567,073	801,871	21,000	–	16,171,855	72,265,211	4,440,814	394,267,824
Accounts receivable	647,163	–	–	–	140,000	400,201	–	1,187,364
Financial assets held under resale agreements	–	–	5,747,782	–	–	–	–	5,747,782
Amounts due from subsidiaries	20,343,872	–	3,541,350	13,379,261	3,442,031	–	–	40,706,514
Financial assets at fair value through other comprehensive income	5,028,788	–	–	–	–	–	–	5,028,788
Financial assets at amortized cost	8,024,848	–	1,011,830	1,093,874	19,846,688	36,221,613	341,910	66,540,763
Interests in consolidated structured entities	15,618,741	–	–	–	9,185,485	20,432,823	43,656	45,280,705
Other financial assets	4,961,929	–	–	–	–	–	–	4,961,929
Total financial assets	355,192,414	21,736,818	11,813,378	17,439,640	48,786,059	129,319,848	4,826,380	589,114,537
Borrowings from central bank	–	(986,058)	–	–	–	–	–	(986,058)
Placements from banks and a financial institution	–	–	(2,781,401)	–	–	–	–	(2,781,401)
Financial liabilities at fair value through profit or loss	–	–	–	–	–	(1,483,959)	–	(1,483,959)
Borrowings	–	–	(19,565,680)	(49,416,685)	(204,826,230)	(149,206,273)	–	(423,014,868)
Bonds issued	–	–	(6,097,359)	(4,298,367)	(18,020,076)	(91,506,747)	(20,550,528)	(140,473,077)
Accounts payable	(1,000)	–	–	–	–	–	–	(1,000)
Other financial liabilities	(4,135,394)	–	–	–	–	–	–	(4,135,394)
Total financial liabilities	(4,136,394)	(986,058)	(28,444,440)	(53,715,052)	(222,846,306)	(242,196,979)	(20,550,528)	(572,875,757)
Net position	351,056,020	20,750,760	(16,631,062)	(36,275,412)	(174,060,247)	(112,877,131)	(15,724,148)	16,238,780

(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, 2022							
	Past due/ undated	On demand	Less than 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
Cash and balances with central banks	–	2,640	–	–	–	–	–	2,640
Deposits with banks and financial institutions	–	29,405,349	1,405,415	6,369,205	–	–	–	37,179,969
Financial assets at fair value through profit or loss	336,256,445	700,098	4,997,988	796,846	10,834,382	31,002,996	965,615	385,554,370
Accounts receivable	1,605	712,887	361,386	–	574,814	270,900	–	1,921,592
Financial assets held under resale agreements	–	–	24,914,111	–	–	–	–	24,914,111
Amounts due from subsidiaries	4,673	15,073,130	400,090	–	4,500,000	10,578,865	–	30,556,758
Financial assets at fair value through other comprehensive income	4,484,509	–	–	–	–	–	–	4,484,509
Financial assets at amortized cost	8,980,821	–	3,825,569	9,460,766	38,804,444	44,597,890	207,477	105,876,967
Interests in consolidated structured entities	10,596,484	–	982,564	183,214	9,525,898	17,858,850	–	39,147,010
Other financial assets	430,541	6,019,960	–	2,500	11,000	322,621	–	6,786,622
Total financial assets	360,755,078	51,914,064	36,887,123	16,812,531	64,250,538	104,632,122	1,173,092	636,424,548
Borrowings from central bank	–	(986,058)	–	–	–	–	–	(986,058)
Placements from banks and a financial institution	–	–	(4,041,048)	–	–	–	–	(4,041,048)
Financial liabilities at fair value through profit or loss	–	–	–	–	–	(95,851)	–	(95,851)
Borrowings	–	–	(29,594,518)	(31,169,894)	(259,024,165)	(169,069,496)	–	(488,858,073)
Bonds issued	–	–	–	(10,448,472)	(4,033,514)	(63,211,949)	(47,701,230)	(125,395,165)
Accounts payable	–	–	–	–	–	(21,000)	–	(21,000)
Other financial liabilities	–	(5,304,161)	–	–	–	(322,620)	–	(5,626,781)
Total financial liabilities	–	(6,290,219)	(33,635,566)	(41,618,366)	(263,057,679)	(232,720,916)	(47,701,230)	(625,023,976)
Net position	360,755,078	45,623,845	3,251,557	(24,805,835)	(198,807,141)	(128,088,794)	(46,528,138)	11,400,572

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 debt assets, restructured distressed debt assets and equity instruments obtained through debt-to-equity swap.

(ii) Risk management of distressed debt assets

The Group exercises standardized management procedures, including project initiation, due diligence investigation, design and approval of recovery plan and continuous monitoring and management. The Group enhances its risk management by strengthening investigation, review and approval procedures before the recovery of distressed assets, and monitoring measures after the recovery of distressed assets; enhancing risk mitigation effect through collateral; and continuously upgrading the management system of distressed debt assets.

Specifically, the risks to which distressed debts financial assets at fair value through profit or loss mainly comprise valuation risk, legal title risk and to certain extent credit risk; while the risks to which distressed debt assets at amortized cost mainly comprise credit risk.

VI. EXPLANATORY NOTES (Continued)

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 and credit risk arises in such situation. Credit risk represents the potential loss that may arise from the failure of a customer or counterparty's failure to meet its obligation. Characteristics of the credit risk management system of the Group include:

- Apply centralized policy and procedures throughout the Group;
- Enforce strict management system on the credentials of authorized supervisors; and
- Apply more stringent risk management rules and procedures, which include customer investigation, project evaluation, investigation and approval, project execution and post-event management for distressed debt assets at amortized cost.

Measures the Group takes to minimize the credit risk of distressed assets include:

- Manage the creditworthiness of counterparties using independent credit rating on the counterparties as reference;
- Select counterparties with appropriate creditworthiness and repayment capability; and
- Require counterparties to provide collateral which fully covers the credit exposure.

VI. EXPLANATORY NOTES (Continued)

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 former CBRC 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 NFRA

In accordance with the requirements of Off-site Supervision Reporting Index System on Financial Asset Management Companies (Yinjianbanfa [2016] No. 38), issued by the former CBRC 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, 2023 and 2022, 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, 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 estimated future cash flows, discount rate, market multipliers, liquidity discount, 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			
	2023		2022	
	Carrying amount	**Fair value**	Carrying amount	Fair value
Financial assets				
Financial assets at amortized cost				
– Distressed debt assets	**59,193,006**	**61,870,516**	99,811,414	97,729,795
– Other debt investments	**60,556,883**	**60,628,397**	70,182,896	70,060,541
Accounts receivable	**4,186,709**	**4,186,709**	4,803,330	4,801,655
Total	**123,936,598**	**126,685,622**	174,797,640	172,591,991
Financial liabilities				
Borrowings	**(558,870,502)**	**(579,519,905)**	(615,357,924)	(614,947,721)
Bonds issued	**(302,762,132)**	**(304,167,912)**	(292,882,792)	(296,287,324)
Total	**(861,632,634)**	**(883,687,817)**	(908,240,716)	(911,235,045)

(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, 2023			
	Level 1	**Level 2**	**Level 3**	**Total**
Financial assets				
Financial assets at amortized cost				
– Distressed debt assets	**–**	**–**	**61,870,516**	**61,870,516**
– Other debt investments	**–**	**6,613,470**	**54,014,927**	**60,628,397**
Accounts receivable	**143,191**	**–**	**4,043,518**	**4,186,709**
Total	**143,191**	**6,613,470**	**119,928,961**	**126,685,622**
Financial liabilities				
Borrowings	**–**	**–**	**(579,519,905)**	**(579,519,905)**
Bonds issued	**–**	**(259,748,400)**	**(44,419,512)**	**(304,167,912)**
Total	**–**	**(259,748,400)**	**(623,939,417)**	**(883,687,817)**

(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, 2022			
	Level 1	Level 2	Level 3	Total
Financial assets				
Financial assets at amortized cost				
– Distressed debt assets	–	–	97,729,795	97,729,795
– Other debt investments	9,213,762	2,603,923	58,242,856	70,060,541
Accounts receivable	–	–	4,801,655	4,801,655
Total	9,213,762	2,603,923	160,774,306	172,591,991
Financial liabilities				
Borrowings	–	–	(614,947,721)	(614,947,721)
Bonds issued	–	(177,995,400)	(118,291,924)	(296,287,324)
Total	–	(177,995,400)	(733,239,645)	(911,235,045)

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 2023	2022	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	**518,309,820**	503,495,905				
Debt securities	**34,927,153**	32,539,405				
– Traded in stock exchanges	**2,776,510**	2,903,333	Level 1	• Quoted bid prices in an active market.	N/A	N/A
	4,720,252	3,465,843	Level 2	• Quoted market prices from dealers or independent pricing service vendors.	N/A	N/A
	80,504	66,945	Level 3	• Default rates of recovery.	• Default rates of recovery.	• The lower the recovery rates, the higher the fair value.
				• Future cash flows are estimated based on contractual amounts and coupon rates discounted at a rate that reflects the credit risk of the counterparty.	• Expected recoverable amounts.	• The higher the expected recoverable amounts, the higher the fair value.

(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 2023	2022	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
– Traded in inter-bank markets	**–**	–	Level 1	• Quoted bid prices in an active market.	N/A	N/A
	17,932,317	17,053,104	Level 2	• Quoted market prices from dealers or independent pricing service vendors.	N/A	N/A
	25,183	–	Level 3	• Default rates of recovery.	• Expected recoverable amounts.	• The higher the expected recoverable amounts, the higher the fair value.
– Traded over the counter	**8,629,103**	7,628,156	Level 2	• Quoted market prices from dealers or independent pricing service vendors.	N/A	N/A
	155,313	43,963	Level 3	• Default rates of recovery.	• Default rates of recovery.	• The lower the recovery rates, the higher the fair value.
				• Future cash flows are estimated based on contractual amounts and coupon rates discounted at a rate that reflects the credit risk of the counterparty.	• Expected recoverable amounts.	• The higher the expected recoverable amounts, the higher the fair value.

(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 2023	2022	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	**607,971**	1,378,061	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.	• Volatility rates that are in line with those of similar products.	• The higher the volatility rates, the higher the fair value.
Equity investments listed or traded on exchanges	**17,655,325**	16,777,486				
Unrestricted listed equity investments	**9,751,599**	16,476,830	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 2023	2022	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	**7,903,726**	300,656	Level 3	• Option Pricing Model.	• Stock volatility.	• The lower the stock volatility, the higher the fair value.
Equity investments in unlisted companies	**56,675,732**	53,448,574				
	51,037,041	51,544,530	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.
	5,638,691	1,904,044	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.
Mutual funds	**130,265,355**	119,431,466				
– Mutual funds with open or active quotations	**3,374,917**	4,554,108	Level 1	• Quoted bid prices in an active market.	N/A	N/A
	1,181,132	1,900,692	Level 2	• Quoted market prices from dealers or independent pricing service vendors.	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 2023	2022	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	**98,356,899**	47,595,402	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.
– Investing in equity instruments	**27,352,407**	65,381,264	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.
Debt instruments	**11,169,359**	16,264,284				

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 2023	2022	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
– Other debt instruments	**10,367,272**	15,541,453	Level 3	• Discounted cash flows with future cash flows that are estimated based on expected recoverable amounts, discounted at rates that reflect management's best estimation of the expected risk level.	• Expected recoverable amounts. • Expected recovery date. • Discount rates that correspond to the expected risk level.	• The higher the recoverable amounts, the higher the fair value. • The earlier the recovery date, the higher the fair value. • The lower the discount rates, the higher the fair value.
– Embedded derivatives debts	**802,087**	722,831	Level 3	• Discounted cash flows for the debt component and binomial option pricing model for the option component.	• Expected future cash flows. • Discount rates that correspond to the expected risk level. • Stock price volatility.	• The higher the future cash flow, the higher the fair value. • The lower the discount rates, the higher the fair value. • The higher stock price volatility, the higher the fair value.

(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 2023	2022	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
Derivative financial assets	**1,513,374**	1,887,923				
	330,179	297,439	Level 1	• Quoted bid prices in an active market.	N/A	N/A
	617,270	1,455,245	Level 2	• Valuation techniques based on market data including interest rates and foreign exchange rates.	N/A	N/A
	565,925	135,239	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.

(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.

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 2023	2022	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
Distressed debt assets	**241,982,055**	233,437,193	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 2023	2022	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
Wealth management products	**2,700,637**	1,776,838				
	6,613	–	Level 2	• Quoted market prices from dealers or independent pricing service vendors.	N/A	N/A
	2,694,024	1,776,838	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.

(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 2023	2022	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
Asset management plans	**2,480,292**	2,825,774				
– Investing in the portfolio with open or active quotations	**2,086,575**	2,312,425	Level 2	• Quoted market prices from dealers or independent pricing service vendors.	N/A	N/A
– Investing in debt instruments	**–**	–	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	**393,717**	513,349	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 2023	2022	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
Asset-backed securities	**3,437,995**	1,457,746				
	958,566	754,537	Level 1	• Quoted bid prices in an active market.	N/A	N/A
	2,479,429	703,209	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.

(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 2023	2022	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
Trust products and rights to trust assets	**14,824,734**	23,271,755				
– Investing in the portfolio with open or active market quotations	**24,905**	–	Level 2	• Quoted market prices from dealers or independent pricing service vendors.	N/A	N/A
– Investing in debt instruments	**11,177,939**	17,549,524	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	**3,621,890**	5,722,231	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 2023	2022	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
Others	**677,809**	377,461				
– Investing in debt instruments	**677,809**	377,461	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	**14,973,649**	14,436,617	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 2023	2022	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	**170,875,858**	130,487,681				
Debt investments at fair value through other comprehensive income	**164,503,552**	124,934,251				
Debt securities	**164,503,552**	124,934,251				
– Traded on stock exchanges	**223,629**	20,148,561	Level 1	• Quoted bid prices in an active market.	N/A	N/A
– Traded in inter-bank markets	**77,760,809**	29,409,452	Level 2	• Quoted market prices from dealers or independent pricing service vendors.	N/A	N/A
– Traded over the counter	**86,519,114**	75,376,238	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	**6,372,306**	5,553,430				
Unrestricted listed equity investments	**5,364,927**	4,549,743	Level 1	• Quoted bid prices in an active market.	N/A	N/A
Restricted listed equity investments	**984,174**	984,174	Level 3	• Option Pricing Model.	• Stock volatility.	• The lower the stock volatility.

(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 2023	2022	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
Unlisted equity instruments	**23,205**	19,513	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	**(9,449,199)**	(10,684,889)				
– The OTC derivative financial liabilities	**(1,187,061)**	(1,051,739)	Level 2	• Calculated based on the quoted prices or similar assets traded in an active market.	N/A	N/A
– Short positions in exchange fund bills and notes	**(6,867,182)**	(9,416,399)	Level 2	• Calculated based on the quoted prices or similar assets traded in an active market.	N/A	N/A
– Financing payables linked to stock index	**(6,848)**	(216,751)	Level 2	• Calculated based on the quoted prices or similar assets traded in an active market.	N/A	N/A
– Structured transaction payment	**(1,388,108)**	–	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.

(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, 2023			
	Level 1	**Level 2**	**Level 3**	**Total**
Financial assets at fair value through profit or loss	**17,191,771**	**35,198,167**	**465,919,882**	**518,309,820**
Loans and advances to customers	**–**	**–**	**14,973,649**	**14,973,649**
Financial assets at fair value through other comprehensive income	**5,588,556**	**164,279,923**	**1,007,379**	**170,875,858**
Total assets	**22,780,327**	**199,478,090**	**481,900,910**	**704,159,327**
Financial liabilities at fair value through profit or loss	**–**	**(8,061,091)**	**(1,388,108)**	**(9,449,199)**
Total liabilities	**–**	**(8,061,091)**	**(1,388,108)**	**(9,449,199)**

	As at December 31, 2022			
	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss	24,986,247	33,815,465	444,694,193	503,495,905
Loans and advances to customers	–	–	14,436,617	14,436,617
Financial assets at fair value through other comprehensive income	24,698,304	104,785,690	1,003,687	130,487,681
Total assets	49,684,551	138,601,155	460,134,497	648,420,203
Financial liabilities at fair value through profit or loss	–	(10,684,889)	–	(10,684,889)
Total liabilities	–	(10,684,889)	–	(10,684,889)

(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)

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, 2023	444,694,193	1,003,687	–
Recognized in profit or loss	12,775,842	–	–
Recognized in other comprehensive income	–	(152,608)	–
Purchases	113,508,205	156,300	(1,388,108)
Settlements/disposals at cost	(105,035,513)	–	–
Transfer in Level 3	–	–	–
Transfer out from Level 3	(22,845)	–	–
As at December 31, 2023	465,919,882	1,007,379	(1,388,108)
Changes in unrealized gains or losses for the year included in profit or loss for assets held at the end of the year	(4,046,135)	–	–

(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, 2022	394,611,255	5,024,999	–
Recognized in profit or loss	1,502,968	–	–
Recognized in other comprehensive income	–	(2,585,074)	–
Purchases	127,173,691	–	–
Settlements/disposals at cost	(78,120,034)	–	–
Transfer in Level 3	107,124	–	–
Transfer out from Level 3	(580,811)	(1,436,238)	–
As at December 31, 2022	444,694,193	1,003,687	–
Changes in unrealized gains or losses for the year included in profit or loss for assets held at the end of the year	(1,705,282)	–	–

For the years ended December 31, 2023 and 2022, 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, 2023 and 2022 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, 2023 and 2022 are presented in “unrealized gains included in fair value changes on distressed debt assets”, “fair value changes on other financial assets”, “impairment losses on assets” depending on the nature or category of the related financial instruments.

(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 2023
Cash consideration paid	**–**

Analysis of assets and liabilities of the subsidiaries acquired:

	Year ended December 31 2023
Total assets	**728,180**
Total liabilities	**478,261**

Net cash flows arising on acquisition:

	Year ended December 31 2023
Cash consideration paid	**–**
Cash and cash equivalents balances acquired	**77,499**
Net cash outflow	**(77,499)**

VI. EXPLANATORY NOTES (Continued)

74. Disposal of subsidiaries

During the year, the Group had no disposal of subsidiaries.

VII. EVENTS AFTER THE REPORTING PERIOD

1. Pursuant to the meeting of the Board of Directors on March 26, 2024, the proposal of the profit appropriations of the Company for the year ended December 31, 2023 is set out as follows:

   (1) An appropriation of RMB514,375 thousand to the statutory surplus reserve;

   (2) No general reserve to be appropriated basing on risk assets as at December 31, 2023; and

   (3) A cash dividend distribution of RMB0.4576 per 10 shares (tax inclusive), which is RMB17.46 billion in total in respect of the year.

   As at December 31, 2023, the statutory surplus reserve had been recognized as appropriation. The dividend will be recognized on the Company's and the Group's financial statements after the approval by shareholders in the forthcoming general meeting.

VIII. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements are approved and authorized by the Board of Directors on March 26, 2024.

14 Branches and Major Subsidiaries

1、 Head Office

China Cinda Asset Management Co., Ltd.
Address: No. 1 Building, 9 Naoshikou Street, Xicheng District, Beijing
Postal code: 100031
Tel. No.: 86-10-63080000
Fax No.: 86-10-83329210
Website: www.cinda.com.cn

2、 Branches

▲China Cinda Asset Management Co., Ltd. Beijing Branch
Address: F17-18, Tower E, Global Trade Center, 36 North Third Ring Road East, Dongcheng District, Beijing
Postal code: 100013
Tel. No.: (010) 59025069
Fax No.: (010) 59025004

▲China Cinda Asset Management Co., Ltd. Tianjin Branch
Address: No. 901, Tower B3, Junlong Plaza, 2 Xi'an Road, Heping District, Tianjin
Postal code: 300050
Tel. No.: (022) 83122696
Fax No.: (022) 23947732

▲China Cinda Asset Management Co., Ltd. Hebei Branch
Address: 26-27/F, Zhongjiao Fortune Center T3, 118 Ziqiang Road, Qiaoxi District, Shijiazhuang, Hebei
Postal code: 050011
Tel. No.: (0311) 89166199
Fax No.: (0311) 89169100

▲China Cinda Asset Management Co., Ltd. Shanxi Branch
Address: 43 and 44/F, Cinda International Financial Center, No. 86 Yingze West Street, Wanbolin District, Taiyuan, Shanxi
Postal code: 030024
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▲China Cinda Asset Management Co., Ltd. Inner Mongolia Autonomous Region Branch
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▲China Cinda Asset Management Co., Ltd. Shanghai Pilot Free Trade Zone Branch
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▲China Cinda Asset Management Co., Ltd. Zhejiang Branch
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▲China Cinda Asset Management Co., Ltd. Anhui Branch
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▲China Cinda Asset Management Co., Ltd. Fujian Branch
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▲China Cinda Asset Management Co., Ltd. Jiangxi Branch
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Fax No.: (0371) 63865600

▲China Cinda Asset Management Co., Ltd. Hubei Branch
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▲China Cinda Asset Management Co., Ltd. Hunan Branch
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▲China Cinda Asset Management Co., Ltd. Guangdong Branch
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▲China Cinda Asset Management Co., Ltd. Shenzhen Branch
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Fax No.: (0755) 82910608

▲China Cinda Asset Management Co., Ltd. Guangxi Zhuang Autonomous Region Branch
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Fax No.: (0771) 5758600

▲China Cinda Asset Management Co., Ltd. Hainan Branch
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Postal code: 570105
Tel. No.: (0898) 68666481
Fax No.: (0898) 68666962

▲China Cinda Asset Management Co., Ltd. Chongqing Branch
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Postal code: 401121
Tel. No.: (023) 63763650
Fax No.: (023) 63763600

▲China Cinda Asset Management Co., Ltd. Sichuan Branch
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Fax No.: (028) 65009818

▲China Cinda Asset Management Co., Ltd. Guizhou Branch
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Postal code: 550002
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Fax No.: (0851) 85251483

▲China Cinda Asset Management Co., Ltd. Yunnan Branch
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Tel. No.: (0871) 63638666, 63643950
Fax No.: (0871) 63638666

▲China Cinda Asset Management Co., Ltd. Shaanxi Branch
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Fax No.: (029) 87266917

▲China Cinda Asset Management Co., Ltd. Ningxia Hui Autonomous Region Branch
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Postal code: 750011
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Fax No.: (0951) 8897190

▲China Cinda Asset Management Co., Ltd. Gansu Branch
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Postal code: 730030
Tel. No.: (0931) 8869100
Fax No.: (0931) 8866276

▲China Cinda Asset Management Co., Ltd. Qinghai Branch
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Postal code: 810008
Tel. No.: (0971) 8123904, 8123905
Fax No.: (0971) 8229375

▲China Cinda Asset Management Co., Ltd. Xinjiang Uygur Autonomous Region Branch
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Postal code: 830002
Tel. No.: (0991) 2330088
Fax No.: (0991) 2325171

▲China Cinda Asset Management Co., Ltd. Hefei Operation Support Center
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Postal code: 230091
Tel. No.: (0551) 65802025
Fax No.: (0551) 65802012

3、 Platforms for Financial Service and Asset Management Businesses

▲Nanyang Commercial Bank, Limited
Address: 151 Des Voeux Road, Central, Hong Kong
Tel. No.: (00852) 28520888
Fax No.: (00852) 28153333
Website: www.ncb.com.hk

•Nanyang Commercial Bank (China) Limited
Address: 13-20/F, No. 898, Pu Ming Road, Pudong New Area, Shanghai
Tel. No.: (021) 38566666
Fax No.: (021) 68879800
Postal code: 200122

▲Cinda Securities Co., Ltd.
Address: No. 1 Building, 9 Naoshikou Street, Xicheng District, Beijing
Postal code: 100031
National customer service hotline: 95321
Tel. No.: (010) 63080940
Fax No.: (010) 63080918
Website: www.cindasc.com

•Cinda Futures Co., Ltd.
Address: 19-20/F, Tian Ren Building, 188 Liyi Road, Ningwei Street, Xiaoshan District, Hangzhou, Zhejiang
Postal code: 311215
National customer service hotline: 4006-728-728
Tel. No.: (0571) 28132666
Fax No.: (0571) 28132560
Website: www.cindaqh.com

•Cinda Fund Management Co., Ltd.
Address: 10/F, China Resources Building, No. 2666 of Keyuan South Road, Nanshan District, Shenzhen, Guangdong
Postal code: 518054
National customer service hotline: 400-8888-118, 86-755-83160160
Tel. No.: (0755) 83172666
Fax No.: (0755) 83196151
Website: www.fscinda.com

• Cinda Innovation Investment Co., Ltd.
Address: No. 1 Building, No. 9 Naoshikou Street, Xicheng District, Beijing
Postal code: 100031
Tel. No.: (010) 63080973

• Xinfeng Investment Management Co., Ltd.
Address: Room 201-2, 2nd Floor, Building 1, Yard No. 35 Jinshifang Street, Xicheng District, Beijing
Postal code: 100032
Tel. No.: (010) 83252212

• Cinda International Holdings Limited
Address: 45th Floor, COSCO Tower, 183 Queen's Road Central, Hong Kong
Tel. No.: (00852) 22357888
Fax No.: (00852) 22357878
Website: www.cinda.com.hk

▲China Jingu International Trust Co., Ltd.
Address: 10 and 11/F, Block C, Tong Tai Building, 33 Financial Street, Xicheng District, Beijing
Postal code: 100033
Tel. No.: (010) 88086816, 88088223
Fax No.: (010) 88086546
Website: www.jingutrust.com

▲Cinda Financial Leasing Co., Ltd.
Address: 8-9/F, Tower B, East Gate Plaza, 29 Dongzhong Street, Dongcheng District, Beijing
Postal code: 100027
Tel. No.: (010) 64198100
Fax No.: (010) 64159400

▲China Cinda (HK) Holdings Company Limited
Address: 12/F, AIA Central, 1 Connaught Road Central, Central, Hong Kong
Tel. No.: (00852) 25276686
Fax No.: (00852) 28042135
Website: www.cindahk.com

▲Cinda Investment Co., Ltd.
Address: 16-19/F, Block C, Beijing International Building, A18 Zhongguancun South Street, Haidian District, Beijing
Postal code: 100081
Tel. No.: (010) 62157302
Fax No.: (010) 62157301

•Cinda Real Estate Co., Ltd.
Address: 8-10/F, Block A, Beijing International Building, A18 Zhongguancun South Street, Haidian District, Beijing
Postal code: 100081
Tel. No.: (010) 82190995
Fax No.: (010) 82190933

•Cinda Capital Management Co., Ltd.
Address: 4/F, Tower B, East Gate Plaza, 29 Dongzhong Street, Dongcheng District, Beijing
Postal code: 100027
Tel. No.: (010) 86376800
Fax No.: (010) 86376999

▲Zhongrun Economic Development Co., Ltd.
Address: 9/F, China Commerce Tower, 5 Sanlihe East Road, Xicheng District, Beijing
Postal code: 100045
Tel. No.: (010) 68535368
Fax No.: (010) 68535110

Note: "▲" represents a branch or a tier-one subsidiary and "•" represents a subsidiary of a tier-one subsidiary