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China Cinda Asset Management Co., Ltd.

中國信達資產管理股份有限公司

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

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

2023 INTERIM RESULTS ANNOUNCEMENT

The board of directors (the “**Board**”) of China Cinda Asset Management Co., Ltd. (the “**Company**”) is pleased to announce the unaudited results of the Company and its subsidiaries for the six months ended June 30, 2023. This announcement, containing the full text of the 2023 Interim 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 interim results. The printed version of the Company’s 2023 Interim Report will be delivered to the holders of the H shares of the Company and available for viewing on the websites of Hong Kong Exchanges and Clearing Limited at www.hkexnews.hk and of the Company at www.cinda.com.cn in September 2023.

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

Beijing, the PRC
August 29, 2023

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, Mr. CHEN Xiaowu, Ms. ZHANG Yuxiang and Mr. LIU Chong 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.

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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 Shares” | 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 3 November, 2021, which are listed and traded on the Hong Kong Stock Exchange (stock code: 04621) |
| “Articles” | the current Articles of Association of China Cinda Asset Management Co., Ltd. |
| “CBIRC” | The former China Banking and Insurance 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” | International Financial Reporting Standards issued by the International Accounting Standards Board |
| “Jingu Trust” | China Jingu International Trust Co., Ltd., a subsidiary of the Company |
| “Latest Practicable Date” | August 22, 2023, being the latest practicable date for the purpose of ascertaining certain information contained in this announcement prior to its publication |
| “MOF” | the Ministry of Finance of the PRC |
| “NAFR” | National Administration of Financial Regulation |
| “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 |
| “PRC GAAP” | Accounting Standards for Business Enterprises and the Application Guidance thereof promulgated by MOF, as well as other relevant regulations |
| “Reporting Period” | the six months ended June 30, 2023 |
| “RMB” | Renminbi |
| “Zhongrun Development” | Zhongrun Economic Development Co., Ltd., a subsidiary of the Company |

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 the H Shares interim report | www.hkexnews.hk | | |
| Place for maintaining interim report available for inspection | Board of Directors' Office of the Company | | |
| Place of listing of H Shares | The Stock Exchange of Hong Kong Limited | Place of listing of 2021 Offshore Preference Shares | The Stock Exchange of Hong Kong Limited |
| Stock Short Name of H Shares | China Cinda | Stock Short Name of 2021 Offshore Preference Shares | CINDA 21USDPREF |
| Stock Code of H Shares | 01359 | Stock Code of 2021 Offshore Preference Shares | 04621 |
| Registrar of H Shares | Computershare Hong Kong Investor Services Limited Shops 1712-1716, 17/F, Hopewell Centre 183 Queen's Road East, Wan Chai, Hong Kong | | |
| Unified Social Credit Code | 91110000710924945A | | |
| Registration number of Financial License | J0004H111000001 | | |
| Legal advisors as to PRC Law | Haiwen & Partners Zhong Lun Law Firm Tian Yuan Law Firm Fangda Partners | Legal advisors as to Hong Kong Law | 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. 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 had approved the transfer of equity interests and the Company ceased to have any interests 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 six months ended 30 June, | | As at and for the year ended December 31, | | | |
|--|--|-------------------|---|-------------------|-------------------|-------------------|
| | 2023 | 2022 | 2022 | 2021 | 2020 | 2019 |
| | <i>(in millions of RMB)</i> | | | | | |
| Continuing operations | | | | | | |
| Income from distressed debt assets at amortized cost | 3,912.1 | 5,549.7 | 10,070.7 | 13,466.6 | 19,150.7 | 16,403.6 |
| Fair value changes on distressed debt assets | 2,836.3 | 6,223.3 | 11,284.3 | 15,475.8 | 12,547.0 | 13,645.3 |
| Fair value changes on other financial instruments | 4,906.0 | 4,697.8 | 5,410.4 | 14,674.8 | 12,566.5 | 14,840.1 |
| Investment income | 258.9 | 156.5 | 216.8 | 156.8 | 322.5 | 464.5 |
| Interest income | 16,120.2 | 12,139.5 | 27,394.9 | 25,100.8 | 23,899.2 | 25,401.6 |
| Revenue from sales of inventories | 2,132.8 | 7,039.0 | 16,068.3 | 20,385.5 | 24,316.3 | 18,169.4 |
| Other income and other net gains or losses | 4,131.4 | 5,452.4 | 10,543.0 | 8,470.7 | 7,331.8 | 7,222.4 |
| Total income | 34,297.7 | 41,258.2 | 80,988.4 | 97,731.0 | 100,134.0 | 96,146.9 |
| Interest expense | (21,558.4) | (19,852.7) | (40,081.1) | (41,936.9) | (39,618.5) | (44,366.6) |
| Impairment losses on assets | (3,111.6) | (5,876.6) | (13,258.0) | (11,722.9) | (14,096.8) | (8,924.2) |
| Purchases and changes in inventories | (1,812.7) | (5,914.9) | (12,859.5) | (16,906.4) | (17,360.4) | (12,868.8) |
| Other costs and expenses | (6,138.1) | (5,940.6) | (13,268.0) | (13,582.3) | (12,984.0) | (12,398.2) |
| Total costs and expenses | (32,620.8) | (37,584.8) | (79,466.6) | (84,148.5) | (84,059.7) | (78,557.8) |
| Change in net assets attributable to other holders of consolidated structured entities | (51.3) | (9.0) | (47.5) | (20.1) | (17.8) | (237.5) |
| Share of results of associates and joint ventures | 3,723.9 | 3,368.0 | 8,983.3 | 5,816.5 | 252.7 | 1,920.8 |
| Profit before tax from continuing operations | 5,349.5 | 7,032.4 | 10,457.6 | 19,378.9 | 16,309.3 | 19,272.4 |
| Income tax expense | (828.9) | (2,052.0) | (3,226.3) | (6,378.4) | (5,324.0) | (5,754.6) |
| Profit for the period/year from continuing operations | 4,520.6 | 4,980.4 | 7,231.3 | 13,000.5 | 10,985.2 | 13,517.8 |
| Discontinued operation | | | | | | |
| Profit after tax for the period/year from a discontinued operation | - | - | - | - | 3,752.0 | 1,500.4 |
| Profit for the period/year | 4,520.6 | 4,980.4 | 7,231.3 | 13,000.5 | 14,737.3 | 15,018.2 |
| Profit attributable to: | | | | | | |
| – Equity holders of the Company | 4,067.6 | 4,508.2 | 6,313.4 | 12,061.7 | 13,247.9 | 13,052.9 |
| – Non-controlling interests | 453.0 | 472.3 | 917.9 | 938.7 | 1,489.4 | 1,965.3 |

| | As at and for the six months ended 30 June, | | As at and for the year ended December 31, | | | |
|--|--|------|---|------|------|------|
| | 2023 | 2022 | 2022 | 2021 | 2020 | 2019 |

(in millions of RMB)

| | | | | | | |
|--|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| Assets | | | | | | |
| Cash and balances with central banks | 14,226.4 | 13,762.2 | 16,677.4 | 18,045.7 | 15,375.0 | 19,002.1 |
| Deposits with banks and financial institutions | 107,256.7 | 107,629.5 | 97,830.1 | 99,921.3 | 87,953.6 | 70,837.6 |
| Financial assets at fair value through profit or loss | 514,001.0 | 459,316.8 | 503,495.9 | 456,203.8 | 446,916.7 | 412,164.6 |
| Financial assets at fair value through other comprehensive income | 146,231.2 | 127,622.4 | 130,487.7 | 122,592.3 | 123,728.5 | 136,803.0 |
| Loans and advances to customers | 407,505.8 | 387,546.4 | 396,530.0 | 368,031.4 | 353,456.3 | 337,859.1 |
| Financial assets at amortized cost | 147,625.7 | 182,389.0 | 169,994.3 | 183,535.0 | 220,233.0 | 227,645.1 |
| Assets held for sale | – | – | – | – | – | 61,394.2 |
| Other assets | 257,162.5 | 262,998.8 | 300,973.6 | 315,949.8 | 270,420.5 | 247,524.3 |
| Total assets | 1,594,009.3 | 1,541,265.1 | 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 | 986.1 | 996.0 | 986.1 | 1,010.9 |
| Due to customers | 320,222.6 | 304,254.9 | 323,040.5 | 298,748.10 | 273,644.2 | 275,205.8 |
| Accounts payable to brokerage clients | 19,990.5 | 20,220.0 | 19,107.2 | 17,605.6 | 16,583.8 | 14,320.3 |
| Borrowings | 586,359.8 | 548,740.3 | 615,357.9 | 555,079.1 | 556,912.1 | 536,591.3 |
| Accounts payable | 4,631.0 | 4,662.5 | 4,946.9 | 5,389.5 | 4,886.7 | 5,050.8 |
| Bonds issued | 288,937.7 | 316,927.0 | 292,882.8 | 367,806.7 | 355,777.5 | 304,849.6 |
| Liabilities held for sale | – | – | – | – | – | 57,924.1 |
| Other liabilities | 156,924.2 | 137,600.3 | 151,672.5 | 116,878.8 | 114,250.8 | 129,866.7 |
| Total liabilities | 1,378,051.9 | 1,333,391.1 | 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 | 192,342.1 | 188,493.7 | 188,205.7 | 178,800.8 | 172,108.7 | 164,898.1 |
| Non-controlling interests | 23,615.3 | 19,380.2 | 19,789.4 | 22,974.7 | 22,933.7 | 23,512.3 |
| Total equity | 215,957.4 | 207,873.9 | 207,995.1 | 201,775.5 | 195,042.4 | 188,410.5 |
| Total equity and liabilities | 1,594,009.3 | 1,541,265.1 | 1,615,989.0 | 1,564,279.3 | 1,518,083.6 | 1,513,230.0 |

| | As at and for the six months ended 30 June, | | As at and for the year ended December 31, | | | |
|--|--|------|---|------|------|------|
| | 2023 | 2022 | 2022 | 2021 | 2020 | 2019 |

(in millions of RMB)

Financial indicators

| | | | | | | |
|--|--------------|-------|-------|-------|-------|-------|
| Return on average shareholders' equity ⁽¹⁾⁽³⁾ (%) | 4.50 | 5.75 | 3.38 | 7.15 | 8.26 | 8.56 |
| Return on average assets ⁽²⁾⁽³⁾ (%) | 0.56 | 0.64 | 0.45 | 0.84 | 0.97 | 1.00 |
| Cost-to-income ratio ⁽⁴⁾ (%) | 52.24 | 35.14 | 44.02 | 32.15 | 25.46 | 30.68 |
| Earnings per share ⁽⁵⁾ (RMB) | 0.09 | 0.12 | 0.14 | 0.29 | 0.32 | 0.31 |
| Net assets per share ⁽⁶⁾ (RMB) | 4.18 | 4.08 | 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 (including profit attributable to non-controlling interests and net profit from a discontinued operation) for the period in the average balance of total assets as at the beginning and the end of the period.
- (3) The average return on shareholders' equity and average return on total assets for the six months ended June 30 are annualized.
- (4) Represents the ratio of the sum of employee benefits, depreciation and amortization and other expenses for the period to total income net of commission and fee expenses, purchases and changes in inventories and interest expense for the period. The above amount includes both the amount from continuing operations and the amount from discontinued operation.
- (5) Represents the net profit (including net profit from a discontinued operation) for the period attributable to ordinary shareholders of the Company divided by the weighted average number of ordinary shares in issue.
- (6) Represents the net assets attributable to equity holders of the Company after deducting the amount of the preference shares and the undated capital bonds at the end of the period divided by the number of ordinary shares as at the end of the period.

3 MANAGEMENT DISCUSSION AND ANALYSIS

3.1 Economic and Regulatory Environment

In the first half of 2023, the world economy continued its downward trend with insufficient recovery momentum. Geopolitical conflicts persisted, global trade and investment slowed down, commodity prices retreated, and the industrial and supply chains underwent accelerated reconstruction. To fight high inflation, the central banks of Europe and the United States continued to hike interest rates. The contractionary monetary policy has elevated the sovereign debt risk of emerging markets, caused financial market shocks, and exposed a number of European and American banks to risk, which exacerbated the instability of the global financial system.

Since 2023, China's economy has fully resumed normalization and made a turnaround as for the operating trend. GDP grew by 5.5% in the first half of the year, with sustained growth in industry and agriculture, accelerated recovery in the service sector, a significant rebound in consumer demand, a fast growth rate in investment, the generally stable level in prices and employment, and a continuous improvement in societies and livelihoods. The economic structure has been unceasingly optimized, and the quality of development has been continuously upgraded. The scientific and technological self-reliance and self-improvement were accelerated, the construction of a modernized industrial system were expedited, and the competitiveness and security of the industrial chain and supply chain were continuously strengthened.

The Chinese government adhered to the general tone of seeking progress while maintaining stability, implemented the new development concept in a complete, accurate and comprehensive manner, accelerated the construction of a new development pattern, and deepened reform and opening up in a comprehensive manner. As such, the government intensified macroeconomic regulation and control, implemented guiding policies in a coordinated manner, boosted confidence and improved expectations, focused on expanding effective demand, enhanced the endogenous impetus for economic growth, and expanded the high-level openness to promote the high-quality development of the economy and society. The government enhanced the intensity and efficiency of positive fiscal policies, improved the expenditure intensity and optimized the expenditure structure, improved tax cuts and fee reductions and reinforced the transfer payments to channel financial resources toward grassroots, with an aim at ensuring the expenditure in basic living needs, wages, normal functioning, and other key areas, and to steadily push forward the resolution of the risk of local debt. The prudent monetary policy was precise and powerful, which has fully committed on the cross-cycle adjustment by reducing the quota and interest rate once each in the first half of the year. As a result, the money supply and social financing scale grew steadily, liquidity remained reasonably abundant, the financing cost for the real economy continued to fall. The structural monetary policy tools functioned actively, which provided strong financial support for key areas and weak links. The reform of the financial system and institutions has continued to deepen, the reform of high-risk small and medium-sized financial institutions has continued to advance, the stock issuance registration system has been fully implemented, policies have been stepped up to support the stable and sound development of the real estate market, and most of the prominent issues in the financial business of platform enterprises have been rectified, and the bottom line of preventing the occurrence of systematic and regional risks was firmly guarded.

The supervisory authorities have prioritized key areas, rhythmically made precise efforts to prudently resolve existing risks, resolutely curb incremental risks and timely block the spread of risks, so as to make proactive moves to prevent and control financial risks. First, the supervisory authorities vigorously disposed of the non-performing assets of banks and non-bank financial institutions, promoted the reform and risk mitigation of small and medium-sized banks, insurance and trust institutions in a coordinated manner, enriched the resources for risk disposal, comprehensively ensured the responsibility of all parties, actively and steadily reduced the scale of high-risk institutions, and built a sound financial stability protection system. Second, the supervisory authorities extended preferential policies to support the financing of high-quality real estate enterprises and the risk disposal of distressed real estate enterprises, continued to secure the delivery of housing projects and helped resolve the risk of local debt. Third, with the formal implementation of the Measures for the Risk Classification of Financial Assets of Commercial Banks, and the submission for deliberation of the drafts of the Commercial Bank Law and the Banking Supervisory and Administrative Law, the methodology for risk classification of financial assets in the banking sector has becoming more realistic and accurate, and the risk management of off-balance sheet business has been significantly strengthened. Overall, the construction of the financial stability guarantee system has been accelerated, financial risks continued to be defused, and the distressed asset management industry ushered in new development opportunities.

3.2 Analysis of Financial Statements

3.2.1 Operating Results of the Group

In the first half of 2023, the net profit attributable to equity holders of the Company amounted to RMB4,067.6 million, representing a decrease of RMB440.6 million, or 9.8% year on year. The annualized ROAE and annualized ROAA were 4.50% and 0.56%, respectively.

| | For the six months ended June 30, | | | Change in percentage (%) |
|---|-------------------------------------|-------------------|------------------|--------------------------------|
| | 2023 <i>(in millions of RMB)</i> | 2022 | Change | |
| Income from distressed debt assets at amortized cost | 3,912.1 | 5,549.7 | (1,637.6) | (29.5) |
| Fair value changes on distressed debt assets | 2,836.3 | 6,223.3 | (3,387.0) | (54.4) |
| Fair value changes on other financial instruments | 4,906.0 | 4,697.8 | 208.2 | 4.4 |
| Investment income | 258.9 | 156.5 | 102.4 | 65.4 |
| Interest income | 16,120.2 | 12,139.5 | 3,980.7 | 32.8 |
| Revenue from sales of inventories | 2,132.8 | 7,039.0 | (4,906.2) | (69.7) |
| Commission and fee income | 2,649.6 | 2,451.7 | 197.9 | 8.1 |
| Net gains on disposal of subsidiaries, associates and joint ventures | 296.9 | 1,246.5 | (949.6) | (76.2) |
| Other income and other net gains or losses | 1,184.9 | 1,754.1 | (569.2) | (32.4) |
| Total income | 34,297.7 | 41,258.2 | (6,960.5) | (16.9) |
| Interest expense | (21,558.4) | (19,852.7) | (1,705.7) | 8.6 |
| Commission and fee expense | (413.1) | (303.0) | (110.1) | 36.3 |
| Purchases and changes in inventories | (1,812.7) | (5,914.9) | 4,102.2 | (69.4) |
| Employee benefits | (3,045.6) | (2,693.0) | (352.6) | 13.1 |
| Credit impairment losses | (3,108.0) | (5,761.2) | 2,653.2 | (46.1) |
| Impairment losses on other assets | (3.6) | (115.4) | 111.8 | (96.9) |
| Other expenses | (2,679.4) | (2,944.6) | 265.2 | (9.0) |
| Total costs and expenses | (32,620.8) | (37,584.8) | 4,964.0 | (13.2) |
| Change in net assets attributable to other holders of consolidated structured entities | (51.3) | (9.0) | (42.3) | (470.0) |
| Share of results of associates and joint ventures | 3,723.9 | 3,368.0 | 355.9 | 10.6 |
| Profit before tax | 5,349.5 | 7,032.4 | (1,682.9) | (23.9) |
| Income tax expense | (828.9) | (2,052.0) | 1,223.1 | (59.6) |
| Profit for the period | 4,520.6 | 4,980.4 | (459.8) | (9.2) |
| Profit attributable to: | | | | |
| — Equity holders of the Company | 4,067.6 | 4,508.2 | (440.6) | (9.8) |
| — Non-controlling interests | 453.0 | 472.3 | (19.3) | (4.1) |

3.2.1.1 Total Income

The total income of the Group decreased from RMB41,258.2 million in the first half of 2022 to RMB34,297.7 million in the first half of 2023, with a decrease of 16.9%, mainly because the decrease in the revenue from sales of inventories, the fair value changes on distressed debt assets and the income from distressed debt assets at amortized cost as compared with the same period of last year and was partially offset by the increase in interest income.

Income from Distressed Debt Assets at Amortized Cost

The income from distressed debt assets at amortized cost of the Group, including the interest income and gains or losses from disposal of restructured distressed debt assets, decreased by 29.5% from RMB5,549.7 million in the first half of 2022 to RMB3,912.1 million in the first half of 2023, which accounted for 13.5% and 11.4% of the total income in the corresponding periods, respectively, mainly due to the fact that the Company actively adjusted the asset structure and the scale of restructured distressed debt assets decreased accordingly.

Fair Value Changes on Distressed Debt Assets

The fair value changes on distressed debt assets of the Group decreased by 54.4% from RMB6,223.3 million in the first half of 2022 to RMB2,836.3 million in the first half of 2023. In particular, the fair value changes on distressed debt assets at fair value through profit or loss decreased by 14.1% from RMB4,713.9 million in the first half of 2022 to RMB4,050.1 million in the first half of 2023, accounting for 11.4% and 11.8% of the total income in the corresponding periods, 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 periods indicated.

| | For the six months ended June 30, | | | |
|-------------------------------|--|-----------------------|-----------------------|-------------------------|
| | 2023 | 2022 | Change | Change in percentage |
| | <i>(in millions of RMB)</i> | | | <i>(%)</i> |
| Realized fair value changes | 2,955.0 | 3,880.9 | (925.9) | (23.9) |
| Unrealized fair value changes | 1,095.1 | 833.0 | 262.1 | 31.5 |
| Subtotal | <u>4,050.1</u> | <u>4,713.9</u> | <u>(663.8)</u> | <u>(14.1)</u> |

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 periods indicated.

| | For the six months ended June 30, <i>(in millions of RMB)</i> |
|--------------------------------|--|
| As at December 31, 2021 | 203,739.5 |
| Acquisition in the period | 25,803.5 |
| Disposal in the period | (20,372.0) |
| Unrealized fair value changes | 833.0 |
| As at June 30, 2022 | 210,004.0 |
| As at December 31, 2022 | 233,437.2 |
| Acquisition in the period | 26,411.1 |
| Disposal in the period | (21,984.4) |
| Unrealized fair value changes | 1,095.1 |
| As at June 30, 2023 | <u>238,959.0</u> |

In the first half of 2023, the fair value changes on distressed debt assets at fair value through profit or loss of the Group decreased by 14.1% over the same period of 2022. In particular, the realized fair value changes decreased by 23.9% from RMB3,880.9 million in the first half of 2022 to RMB2,955.0 million in the first half of 2023; the unrealized fair value changes increased by 31.5% from RMB833.0 million in the first half of 2022 to RMB1,095.1 million in the first half of 2023.

In the first half of 2023, the Group kept an on-going focus on the distressed asset market, consolidating the dominant position of core business, and maintaining investments and cash returns on disposal of acquisition-operation distressed debt assets business. In the first half of 2022 and the first half of 2023, the distressed debt assets at fair value through profit or loss of the Group recorded acquisition of RMB25,803.5 million and RMB26,411.1 million, respectively and recorded disposal of RMB20,372.0 million and RMB21,984.4 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 4.4% from RMB4,697.8 million in the first half of 2022 to RMB4,906.0 million in the first half of 2023, accounting for 11.4% and 14.3% of the total income in the corresponding periods. Of which, the fair value changes on DES Assets were RMB1,020.4 million and RMB1,064.0 million, respectively, accounting for 2.5% and 3.1% of the total income for the respective periods.

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

| | For the six months ended June 30, | | | |
|---|--|----------------|--------------|-------------------------|
| | 2023 | 2022 | Change | Change in percentage |
| | <i>(in millions of RMB)</i> | | | <i>(%)</i> |
| Fair value changes⁽¹⁾ | 290.9 | 502.6 | (211.7) | (42.1) |
| DES Assets of the Company | 362.3 | 701.8 | (339.5) | (48.4) |
| Others | (71.4) | (199.2) | 127.8 | (64.2) |
| Interest income | 2,408.8 | 1,829.6 | 579.2 | 31.7 |
| DES Assets of the Company | 54.4 | 39.3 | 15.1 | 38.4 |
| Others | 2,354.4 | 1,790.3 | 564.1 | 31.5 |
| Dividend income | 2,206.3 | 2,365.6 | (159.3) | (6.7) |
| DES Assets of the Company | 647.3 | 279.3 | 368.0 | 131.8 |
| Others | 1,559.0 | 2,086.3 | (527.3) | (25.3) |
| Total | <u>4,906.0</u> | <u>4,697.8</u> | <u>208.2</u> | <u>4.4</u> |

Note:

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

The gains on fair value changes on DES Assets at fair value through profit or loss decreased by 48.4% from RMB701.8 million in the first half of 2022 to RMB362.3 million in the first half of 2023, mainly due to the year-on-year decrease in the valuation of DES Assets of the Company as a result of market fluctuations.

The fair value losses on other financial instruments except for DES Assets at fair value through profit or loss decreased by 64.2% from RMB199.2 million in the first half of 2022 to RMB71.4 million in the first half of 2023.

Investment Income

In the first half of 2023, the investment income of the Group was RMB258.9 million, representing an increase of 65.4% from RMB156.5 million in the first half of 2022, mainly due to the increase in the disposal income of debt securities and loans and advances to customers at fair value through other comprehensive income.

Interest Income

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

| | For the six months ended June 30, | | | Change in |
|---|-----------------------------------|-----------------|----------------|-------------|
| | 2023 | 2022 | Change | percentage |
| | <i>(in millions of RMB)</i> | | | <i>(%)</i> |
| Loans and advances to customers | 10,437.7 | 7,930.4 | 2,507.3 | 31.6 |
| Financial assets at fair value through other comprehensive income | 2,147.5 | 1,107.4 | 1,040.1 | 93.9 |
| Other debt investment at amortized cost | 1,525.8 | 1,662.1 | (136.3) | (8.2) |
| Deposits with banks and financial institutions | 1,117.7 | 707.5 | 410.2 | 58.0 |
| Placements with banks and financial institutions | 445.2 | 161.7 | 283.5 | 175.3 |
| Financial assets held under resale agreements | 252.6 | 484.7 | (232.1) | (47.9) |
| Others | 193.7 | 85.7 | 108.0 | 126.0 |
| Total | 16,120.2 | 12,139.5 | 3,980.7 | 32.8 |

The Group's interest income increased by 32.8% year on year in the first half of 2023, mainly due to the rise in the interest income from loans and advances to customers and other debt investment at fair value through other comprehensive income.

- (1) The interest income from loans and advances to customers increased by 31.6% from RMB7,930.4 million in the first half of 2022 to RMB10,437.7 million in the first half of 2023, mainly due to the continuous increase in the scale of loans of NCB through its investment of target clients' loan and the increase in interest rate of USD and HKD.
- (2) The interest income from other debt investment at fair value through other comprehensive income increased by 93.9% from RMB1,107.4 million in the first half of 2022 to RMB2,147.5 million in the first half of 2023, mainly due to the increase in the investment scale of such financial institution and corporate bonds.

Commission and Fee Income

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

| | For the six months ended June 30, | | | Change in |
|---|--|----------------|--------------|------------|
| | 2023 | 2022 | Change | percentage |
| | <i>(in millions of RMB)</i> | | | <i>(%)</i> |
| Fund and asset management business | 728.3 | 709.9 | 18.4 | 2.6 |
| Securities and futures brokerage | 538.6 | 638.6 | (100.0) | (15.7) |
| Banking business | 344.9 | 316.2 | 28.7 | 9.1 |
| Agency business | 333.2 | 233.6 | 99.6 | 42.6 |
| Trustee services | 227.8 | 298.0 | (70.2) | (23.6) |
| Consultancy and financial advisory services | 211.7 | 119.4 | 92.3 | 77.3 |
| Insurance brokerage | 198.6 | 74.9 | 123.7 | 165.2 |
| Securities underwriting | 18.9 | 49.2 | (30.3) | (61.6) |
| Others | 47.6 | 12.0 | 35.6 | 296.7 |
| Total | <u>2,649.6</u> | <u>2,451.7</u> | <u>197.9</u> | <u>8.1</u> |

The commission and fee income of the Group increased by 8.1% from RMB2,451.7 million in the first half of 2022 to RMB2,649.6 million in the first half of 2023, mainly due to the increase in the commission and fee income from insurance brokerage, agency business and consultancy and financial advisory services, partly offset by the decrease in the commission and fee income from securities and futures brokerage, of which:

- (1) The commission and fee income from insurance brokerage increased by 165.2% from RMB74.9 million in the first half of 2022 to RMB198.6 million in the first half of 2023, mainly due to the increase in income from insurance brokerage business of NCB.
- (2) The commission and fee income from agency business increased by 42.6% from RMB233.6 million in the first half of 2022 to RMB333.2 million in the first half of 2023, mainly due to the increase in income from entrusted asset management business as a result of the Company's efforts to expand the intermediary business opportunities of distressed assets.
- (3) The commission and fee income from consultancy and financial advisory services increased by 77.3% from RMB 119.4 million in the first half of 2022 to RMB 211.7 million in the first half of 2023, mainly due to the increase in income from consultancy services of Jingu Trust.
- (4) The commission and fee income from securities and futures brokerage decreased by 15.7% from RMB638.6 million in the first half of 2022 to RMB538.6 million in the first half of 2023, mainly due to the decrease in the trading volume and commission rate of securities trading agency service business of Cinda Securities as affected by the market fluctuation.

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 periods indicated.

| | For the six months ended June 30, | | | Change in percentage (%) |
|--|-------------------------------------|-----------|-----------|--------------------------------|
| | 2023 <i>(in millions of RMB)</i> | 2022 | Change | |
| Revenue from sales of inventories | 2,132.8 | 7,039.0 | (4,906.2) | (69.7) |
| Purchases and changes in inventories | (1,812.7) | (5,914.9) | 4,102.2 | (69.4) |
| Including: | | | | |
| Revenue from sales of properties held for sale | 2,132.8 | 7,022.6 | (4,889.8) | (69.6) |
| Purchases and changes in properties held for sale | (1,812.7) | (5,909.4) | 4,096.7 | (69.3) |
| Gross profit from sales of properties held for sale | 320.1 | 1,113.2 | (793.1) | (71.2) |
| Gross profit margin from sales of properties held for sale (%) | 15.0 | 15.9 | (0.8) | (5.3) |

The revenue from sales of inventories of the Group decreased by 69.7% from RMB7,039.0 million in the first half of 2022 to RMB2,132.8 million in the first half of 2023, and the purchases and changes in inventories decreased by 69.4% from RMB5,914.9 million in the first half of 2022 to RMB1,812.7 million in the first half of 2023, mainly due to the year-on-year decrease in the project delivery scale of Cinda Real Estate in the first half of 2023, 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 15.9% in the first half of 2022 to 15.0% in the first half of 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 76.2% from RMB1,246.5 million in the first half of 2022 to RMB296.9 million in the first half of 2023, which was mainly due to the year-on-year decrease in the scale of the disposal of subsidiaries, associates and joint ventures by the Group.

Other Income and Other Net Gains or Losses

Other income and other net gains or losses of the Group decreased by 32.4% from RMB1,754.1 million in the first half of 2022 to RMB1,184.9 million in the first half of 2023, mainly due to a 48.5% decrease in net gains on exchange from RMB839.1 million in the first half of 2022 to RMB432.0 million in the first half of 2023 as a result of the exchange rate fluctuations of the USD and HKD.

3.2.1.2 Total Costs and Expenses

The Group's total costs and expenses decreased by 13.2% from RMB37,584.8 million in the first half of 2022 to RMB32,620.8 million in the first half of 2023, mainly due to the year-on-year 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 the total costs and expenses of the Group for the periods indicated.

| | For the six months ended June 30, | | | Change in percentage (%) |
|--|-----------------------------------|-------------------|----------------|--------------------------|
| | 2023 (in millions of RMB) | 2022 | Change | |
| Interest expense | (21,558.4) | (19,852.7) | (1,705.7) | 8.6 |
| Credit impairment losses | (3,108.0) | (5,761.2) | 2,653.2 | (46.1) |
| Employee benefits | (3,045.6) | (2,693.0) | (352.6) | 13.1 |
| Purchases and changes in inventories | (1,812.7) | (5,914.9) | 4,102.2 | (69.4) |
| Depreciation and amortization expenses | (964.1) | (1,005.3) | 41.2 | (4.1) |
| Commission and fee expense | (413.1) | (303.0) | (110.1) | 36.3 |
| Tax and surcharges | (232.6) | (300.6) | 68.0 | (22.6) |
| Impairment losses on other assets | (3.6) | (115.4) | 111.8 | (96.9) |
| Other expenses | (1,482.7) | (1,638.7) | 155.9 | (9.5) |
| Total | (32,620.8) | (37,584.8) | 4,964.0 | (13.2) |

Interest Expense

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

| | For the six months ended June 30, | | | Change in percentage (%) |
|---|-----------------------------------|-------------------|------------------|--------------------------|
| | 2023 (in millions of RMB) | 2022 | Change | |
| Borrowings | (10,478.7) | (11,225.4) | 746.7 | (6.7) |
| Bonds issued | (5,879.6) | (6,392.5) | 512.9 | (8.0) |
| Due to customers | (3,916.5) | (1,716.9) | (2,199.6) | 128.1 |
| Financial assets sold under repurchase agreements | (692.0) | (173.6) | (518.4) | 298.6 |
| Deposits from banks and financial institutions | (225.8) | (159.7) | (66.1) | 41.4 |
| Placements from banks and financial institutions | (224.0) | (115.3) | (108.7) | 94.3 |
| Accounts payable to brokerage clients | (57.5) | (41.7) | (15.8) | 37.9 |
| Lease liabilities | (17.6) | (21.5) | 3.9 | (18.1) |
| Others | (66.7) | (6.2) | (60.5) | 975.8 |
| Total | (21,558.4) | (19,852.7) | (1,705.7) | 8.6 |

In the first half of 2023, the interest expense of the Group was RMB21,558.4 million, representing an increase of 8.6% from RMB19,852.7 million in the first half of 2022, mainly due to the increase in interest expense on due to customers, partially offset by the decrease in interest expense on borrowings. Of which:

- (1) Interest expense on due to customers increased by 128.1% from RMB1,716.9 million in the first half of 2022 to RMB3,916.5 million in the first half of 2023, mainly due to the increase in interest rate of foreign currency deposits of NCB as a result of the increase in interest rate of USD and HKD.
- (2) The interest expense on borrowings decreased by 6.7% from RMB11,225.4 million in the first half of 2022 to RMB10,478.7 million in the first half of 2023, mainly due to the decrease in the scale of borrowings as compared with the corresponding period of last year.

Credit Impairment Losses

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

| | For the six months ended June 30, | | | |
|--|--|-------------------------|-----------------------|-------------------------|
| | 2023 | 2022 | Change | Change in percentage |
| | <i>(in millions of RMB)</i> | | | <i>(%)</i> |
| Financial assets at amortized cost | | | | |
| – Distressed debt assets | (1,224.6) | (4,438.3) | 3,213.7 | (72.4) |
| – Other debt investments | (444.0) | (484.2) | 40.2 | (8.3) |
| Loans and advances to customers | (1,748.5) | (755.4) | (993.1) | 131.5 |
| Accounts receivable | (26.9) | (23.6) | (3.3) | 14.0 |
| Financial assets at fair value through other comprehensive income | 36.1 | (110.5) | 146.6 | 132.7 |
| Financial assets held under resale agreements | 51.0 | 11.7 | 39.3 | 335.9 |
| Other assets | 248.9 | 39.1 | 209.8 | 536.6 |
| Total | <u>(3,108.0)</u> | <u>(5,761.2)</u> | <u>2,653.2</u> | <u>(46.1)</u> |

The credit impairment losses of the Group decreased by 46.1% from RMB5,761.2 million in the first half of 2022 to RMB3,108.0 million in the first half of 2023, of which:

- (1) The impairment losses on distressed debt assets at amortized cost decreased by 72.4% from RMB4,438.3 million in the first half of 2022 to RMB1,224.6 million in the first half of 2023, mainly due to the decrease in the scale of restructured distressed debt assets of the Company.
- (2) The impairment losses on loans and advances to customers increased by 131.5% from RMB755.4 million in the first half of 2022 to RMB1,748.5 million in the first half of 2023, mainly because the quality of loans and advances to customers came under pressure with a corresponding increase in the overall provision level, due to the impact of the macroeconomic situation and changes in the market environment.

3.2.1.3 Income Tax Expense

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

| | For the six months ended June 30, | | | Change in |
|------------------------|-----------------------------------|-------------|---------------|---------------|
| | 2023 | 2022 | Change | percentage |
| | <i>(in millions of RMB)</i> | | | <i>(%)</i> |
| Profit before tax | 5,349.5 | 7,032.4 | (1,682.9) | (23.9) |
| Income tax expense | (828.9) | (2,052.0) | 1,223.1 | (59.6) |
| Effective tax rate (%) | <u>15.5</u> | <u>29.2</u> | <u>(13.7)</u> | <u>(46.9)</u> |

The income tax expense of the Group decreased by 59.6% from RMB2,052.0 million in the first half of 2022 to RMB828.9 million in the first half of 2023. The effective tax rate of the Group was 29.2% and 15.5% in the first halves of 2022 and 2023, respectively. The decrease in effective tax rate was mainly influenced by the decrease in current taxable income, land appreciation tax, and deferred income tax expenses.

3.2.1.4 Segment Results of Operations

The Group has two business segments:

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

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

| | | | For the six months ended June 30, | | | | | |
|--|-----------------------------|-------------------|-----------------------------------|------------------|---|--------------|-------------------|-------------------|
| | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 |
| | Distressed asset management | | Financial services | | Elimination | | Consolidation | |
| | <i>(in millions of RMB)</i> | | | | | | | |
| Total income | 18,950.2 | 30,299.4 | 15,518.7 | 11,083.6 | (171.2) | (124.7) | 34,297.7 | 41,258.2 |
| Percentage of total (%) | <u>55.3</u> | <u>73.4</u> | <u>45.2</u> | <u>26.9</u> | | | | |
| Total costs and expenses | <u>(20,601.9)</u> | <u>(29,693.9)</u> | <u>(12,209.6)</u> | <u>(8,081.6)</u> | <u>190.7</u> | <u>190.6</u> | <u>(32,620.8)</u> | <u>(37,584.8)</u> |
| Profit before tax | 2,020.7 | 3,982.1 | 3,309.2 | 2,984.5 | 19.6 | 65.9 | 5,349.5 | 7,032.4 |
| Percentage of total (%) | <u>37.8</u> | <u>56.6</u> | <u>61.9</u> | <u>42.4</u> | | | | |
| Profit margin before tax (%) | 10.7 | 13.1 | 21.3 | 26.9 | | | 15.6 | 17.0 |
| Return on average net assets before tax ⁽¹⁾ (%) | <u>3.2</u> | <u>6.4</u> | <u>7.8</u> | <u>7.7</u> | | | <u>5.0</u> | <u>6.9</u> |
| | As at | As at | As at | As at | As at | As at | As at | As at |
| | June 30, | December 31, | June 30, | December 31, | June 30, | December 31, | June 30, | December 31, |
| | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 |
| | Distressed asset management | | Financial services | | Elimination and unallocated part ⁽²⁾ | | Consolidation | |
| | <i>(in millions of RMB)</i> | | | | | | | |
| Total assets | 959,086.3 | 991,887.8 | 644,258.9 | 633,542.5 | (9,335.9) | (9,441.4) | 1,594,009.3 | 1,615,989.0 |
| Percentage of total (%) | <u>60.2</u> | <u>61.4</u> | <u>40.4</u> | <u>39.2</u> | | | | |
| Net assets | 127,678.3 | 121,918.7 | 89,299.8 | 80,615.5 | (1,020.7) | 5,460.8 | 215,957.4 | 207,995.1 |
| Percentage of total (%) | <u>59.1</u> | <u>58.6</u> | <u>41.4</u> | <u>38.8</u> | | | | |

Notes:

- (1) Represents the annualized ratio of profit before tax divided by the average net asset balance as at the beginning and the end of the period.
- (2) Represents primarily income tax payable and deferred tax assets and liabilities that were not allocated to each business segment.

Distressed asset management business is the Group's core business and principal income contributor. The income generated from distressed asset management accounted for 73.4% and 55.3% of the total income, and 56.6% and 37.8% of the Group's profit before tax in the first halves of 2022 and 2023, respectively, as well as 61.4% and 60.2% of the Group's total assets, and 58.6% and 59.1% of the Group's net assets as at December 31, 2022 and June 30, 2023, 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 income, the profit before tax, the total assets and net assets of the financial services segment in the first half of 2023 increased year on year, accounting for 26.9% and 45.2% of the total income, and accounting for 42.4% and 61.9% of profit before tax, in the first halves of 2022 and 2023, and accounted for 39.2% and 40.4% of the total assets, and 38.8% and 41.4% of the net assets as at December 31, 2022 and June 30, 2023.

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

3.2.2 Summary of Financial Position of the Group

As at June 30, 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 June 30, 2023, the total assets of the Group amounted to RMB1,615,989.0 million and RMB1,594,009.3 million, respectively, representing a decrease of 1.4%; total liabilities amounted to RMB1,407,993.9 million and RMB1,378,051.9 million, respectively, representing a decrease of 2.1%; and the total equity amounted to RMB207,995.1 million and RMB215,957.4 million, respectively, representing an increase of 3.8%.

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

| | As at June 30, 2023 | | As at December 31, 2022 | |
|---|---------------------|---|-------------------------|--------------|
| | Amount | % of total <i>(in millions of RMB)</i> | Amount | % of total |
| Assets | | | | |
| Cash and balances with central banks | 14,226.4 | 0.9 | 16,677.4 | 1.0 |
| Deposits with banks and financial institutions | 107,256.7 | 6.7 | 97,830.1 | 6.1 |
| Financial assets at fair value through profit or loss | 514,001.0 | 32.2 | 503,495.9 | 31.2 |
| Financial assets at fair value through other comprehensive income | 146,231.2 | 9.2 | 130,487.7 | 8.1 |
| Loans and advances to customers | 407,505.8 | 25.6 | 396,530.0 | 24.5 |
| Financial assets at amortized cost | 147,625.7 | 9.3 | 169,994.3 | 10.5 |
| Other assets | 257,162.5 | 16.1 | 300,973.6 | 18.6 |
| Total assets | 1,594,009.3 | 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 | 19,990.5 | 1.5 | 19,107.2 | 1.4 |
| Due to customers | 320,222.6 | 23.2 | 323,040.5 | 22.9 |
| Borrowings | 586,359.8 | 42.5 | 615,357.9 | 43.7 |
| Accounts payable | 4,631.0 | 0.3 | 4,946.9 | 0.4 |
| Bonds issued | 288,937.7 | 21.0 | 292,882.8 | 20.8 |
| Other liabilities | 156,924.2 | 11.4 | 151,672.5 | 10.8 |
| Total liabilities | 1,378,051.9 | 100.0 | 1,407,993.9 | 100.0 |
| Equity | | | | |
| Equity attributable to equity holders of the Company | 192,342.1 | 89.1 | 188,205.7 | 90.5 |
| Non-controlling interests | 23,615.3 | 10.9 | 19,789.4 | 9.5 |
| Total equity | 215,957.4 | 100.0 | 207,995.1 | 100.0 |
| Total equity and liabilities | 1,594,009.3 | | 1,615,989.0 | |

3.2.2.1 Assets

Monetary Capital

Monetary capital primarily consists of cash, principal deposits, balances with central banks, clearing settlement funds and deposits with banks and financial institutions that Cinda Securities holds on behalf of its customers in the securities brokerage business. As at December 31, 2022 and June 30, 2023, monetary capital amounted to RMB114,507.5 million and RMB121,483.1 million, respectively, representing an increase of 6.1%, mainly due to the increase in deposits with banks and financial institutions of the Group.

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 June 30, 2023 | As at December 31, 2022 | Change | Change in percentage (%) |
|--|-----------------------------------|-------------------------------|-----------------|--------------------------------|
| | <i>(in millions of RMB)</i> | | | |
| Financial assets classified | | | | |
| as at fair value through profit or loss | | | | |
| Listed investments | | | | |
| Debt securities | 22,556.4 | 22,670.0 | (113.6) | (0.5) |
| Equity investments | 13,843.1 | 16,777.5 | (2,934.4) | (17.5) |
| Funds | 2,158.7 | 3,098.5 | (939.8) | (30.3) |
| Corporate convertible bonds | 358.5 | 809.7 | (451.2) | (55.7) |
| Unlisted investments | | | | |
| Distressed debt assets | 238,959.0 | 233,437.2 | 5,521.8 | 2.4 |
| Funds | 124,658.7 | 116,332.9 | 8,325.8 | 7.2 |
| Equity investments | 57,908.8 | 53,448.6 | 4,460.2 | 8.3 |
| Trust products and asset management plans | 20,081.8 | 26,097.5 | (6,015.7) | (23.1) |
| Debt instruments | 15,168.1 | 16,264.3 | (1,096.2) | (6.7) |
| Securities investments | 13,927.6 | 10,517.5 | 3,410.1 | 32.4 |
| Wealth management products | 2,130.1 | 1,776.8 | 353.3 | 19.9 |
| Derivative financial assets | 1,954.2 | 1,887.9 | 66.3 | 3.5 |
| Others | 296.0 | 377.5 | (81.5) | (21.6) |
| Total | 514,001.0 | 503,495.9 | 10,505.1 | 2.1 |

As at December 31, 2022 and June 30, 2023, financial assets at fair value through profit or loss were RMB503,495.9 million and RMB514,001.0 million, respectively, among which, distressed debt assets and funds increased while trust products and asset management plans decreased.

- (1) As at December 31, 2022 and June 30, 2023, the distressed debt assets at fair value through profit or loss were RMB233,437.2 million and RMB238,959.0 million, respectively, increasing by 2.4%, mainly due to the continuous increase in the investment of acquisition-operation distressed debt assets of the Company to further consolidate the core business of distressed assets.

- (2) As at December 31, 2022 and June 30, 2023, listed and unlisted funds at fair value through profit or loss were RMB119,431.4 million and RMB126,817.4 million, respectively, increasing by 6.2%, mainly due to the increase in the balance of unlisted funds invested by the Company.
- (3) As at December 31, 2022 and June 30, 2023, trust products and asset management plans at fair value through profit or loss were RMB26,097.5 million and RMB20,081.8 million, respectively, decreasing by 23.1%.

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

| | As at June 30, 2023 | As at December 31, 2022 | Change | Change in percentage (%) |
|--------------------|------------------------------------|-------------------------------|------------------|--------------------------------|
| | <i>(in millions of RMB)</i> | | | |
| The Group | | | | |
| Listed | 13,843.1 | 16,777.5 | (2,934.4) | (17.5) |
| Unlisted | 57,908.8 | 53,448.6 | 4,460.2 | 8.3 |
| Total | <u>71,751.9</u> | <u>70,226.1</u> | <u>1,525.8</u> | <u>2.2</u> |
| The Company | | | | |
| Listed | 7,365.8 | 8,596.1 | (1,230.3) | (14.3) |
| Unlisted | 22,672.9 | 23,302.4 | (629.5) | (2.7) |
| Subtotal | <u>30,038.7</u> | <u>31,898.5</u> | <u>(1,859.8)</u> | <u>(5.8)</u> |
| Of which: | | | | |
| DES Assets | 27,628.1 | 30,253.3 | (2,625.2) | (8.7) |
| Others | 2,410.6 | 1,645.2 | 765.4 | 46.5 |
| Subtotal | <u>30,038.7</u> | <u>31,898.5</u> | <u>(1,859.8)</u> | <u>(5.8)</u> |

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 June 30, 2023 | As at December 31, 2022 | Change | Change in percentage (%) |
|---------------------|---|-------------------------------|------------------------|--------------------------------|
| | <i>(in millions of RMB)</i> | | | |
| Debt securities | 138,207.4 | 123,818.5 | 14,388.9 | 11.6 |
| Equity instruments | 6,891.5 | 5,553.4 | 1,338.1 | 24.1 |
| Interest receivable | 1,132.3 | 1,115.8 | 16.5 | 1.5 |
| Total | <u>146,231.2</u> | <u>130,487.7</u> | <u>15,743.5</u> | <u>12.1</u> |

As at December 31, 2022 and June 30, 2023, financial assets at fair value through other comprehensive income were RMB130,487.7 million and RMB146,231.2 million respectively, representing an increase of 12.1%, mainly due to the increase in investments in financial institution and corporate bonds.

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 June 30, 2023 | As at December 31, 2022 | Change | Change in percentage (%) |
|---|------------------------------------|-------------------------------|-----------------|--------------------------------|
| | <i>(in millions of RMB)</i> | | | |
| By business type | | | | |
| Corporate and personal loans and advances | 332,800.1 | 324,484.2 | 8,315.9 | 2.6 |
| Loans to margin clients | 10,186.1 | 9,545.6 | 640.5 | 6.7 |
| Finance lease receivables | 75,784.0 | 72,774.8 | 3,009.2 | 4.1 |
| Total | <u>418,770.2</u> | <u>406,804.6</u> | <u>11,965.6</u> | <u>2.9</u> |
| By security type | | | | |
| Mortgaged | 78,227.0 | 86,295.7 | (8,068.7) | (9.4) |
| Pledged | 105,165.2 | 84,464.8 | 20,700.4 | 24.5 |
| Guaranteed | 69,998.5 | 74,084.5 | (4,086.0) | (5.5) |
| Unsecured | 165,379.5 | 161,959.6 | 3,419.9 | 2.1 |
| Total | <u>418,770.2</u> | <u>406,804.6</u> | <u>11,965.6</u> | <u>2.9</u> |
| Allowances for impairment losses | (11,264.4) | (10,274.6) | (989.8) | 9.6 |
| Net balance | <u>407,505.8</u> | <u>396,530.0</u> | <u>10,975.8</u> | <u>2.8</u> |

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 June 30, 2023 | As at December 31, 2022 | Change | Change in percentage (%) |
|-------------------------------------|-----------------------------------|-------------------------------|-----------|--------------------------------|
| | <i>(in millions of RMB)</i> | | | |
| Corporate loans and advances | | | | |
| Loans and advances | 283,298.1 | 274,217.1 | 9,081.0 | 3.3 |
| Discounted bills | 509.1 | 192.3 | 316.8 | 164.7 |
| Subtotal | 283,807.2 | 274,409.4 | 9,397.8 | 3.4 |
| Personal loans and advances | | | | |
| Mortgages | 26,287.5 | 27,249.7 | (962.2) | (3.5) |
| Personal consumption loans | 22,705.4 | 22,825.1 | (119.7) | (0.5) |
| Subtotal | 48,992.9 | 50,074.8 | (1,081.9) | (2.2) |
| Total | 332,800.1 | 324,484.2 | 8,315.9 | 2.6 |

Financial Assets at Amortized Cost

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

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

| | As at June 30, 2023 | As at December 31, 2022 | Change | Change in percentage (%) |
|--|-----------------------------------|-------------------------------|------------|--------------------------------|
| | <i>(in millions of RMB)</i> | | | |
| Distressed debt assets | | | | |
| Acquired from financial institutions | 2,016.4 | 4,516.8 | (2,500.4) | (55.4) |
| Acquired from non-financial institutions | 81,691.5 | 103,471.9 | (21,780.4) | (21.0) |
| Subtotal | 83,707.9 | 107,988.7 | (24,280.8) | (22.5) |
| Interest accrued | 4,209.8 | 5,053.1 | (843.3) | (16.7) |
| Allowances for impairment losses | (13,010.8) | (13,230.4) | 219.6 | (1.7) |
| Net balance | 74,906.9 | 99,811.4 | (24,904.5) | (25.0) |
| Other debt investments | 72,453.5 | 69,922.8 | 2,530.7 | 3.6 |
| Interest accrued | 3,827.3 | 3,247.2 | 580.1 | 17.9 |
| Allowances for impairment losses | (3,562.0) | (2,987.1) | (574.9) | 19.2 |
| Net balance | 72,718.8 | 70,182.9 | 2,535.9 | 3.6 |
| Total | 147,625.7 | 169,994.3 | (22,368.6) | (13.2) |

As at June 30, 2023, the total balances of distressed debt assets at amortized cost were RMB83,707.9 million, all of which are the Group's restructured distressed debt assets, decreasing by 22.5% from RMB107,988.7 million as at December 31, 2022, mainly due to the decrease in restructured distressed debt assets caused by the Company's proactive adjustment in its asset structure.

As at June 30, 2023, the total balances of other debt investments at amortized cost were RMB72,453.5 million, increasing by 3.6% from RMB69,922.8 million as at December 31, 2022.

3.2.2.2 Liabilities

Liabilities of the Group mainly consist of borrowings, due to customers and bonds issued, accounting for 42.5%, 23.2% and 21.0% of the total liabilities of the Group as at June 30, 2023, respectively.

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

| | As at June 30, 2023 | | As at December 31, 2022 | |
|---|-----------------------------|---------------------|---------------------------|---------------------|
| | amount | % of total | amount | % of total |
| | <i>(in millions of RMB)</i> | | | |
| Borrowings | 586,359.8 | 45.4 | 615,357.9 | 46.4 |
| Due to customers | 320,222.6 | 24.8 | 323,040.5 | 24.3 |
| Bonds issued | 288,937.7 | 22.4 | 292,882.8 | 22.1 |
| Financial assets sold under repurchase agreements | 41,002.3 | 3.2 | 43,425.6 | 3.3 |
| Placements from banks and financial institutions | 22,636.0 | 1.8 | 20,478.1 | 1.5 |
| Accounts payable to brokerage clients | 19,990.5 | 1.5 | 19,107.2 | 1.4 |
| Deposits from banks and financial institutions | 13,195.3 | 1.0 | 12,848.8 | 1.0 |
| Total | <u>1,292,344.2</u> | <u>100.0</u> | <u>1,327,140.9</u> | <u>100.0</u> |

Borrowings

As at June 30, 2023, the balance of borrowings of the Group amounted to RMB586,359.8 million, decreasing by 4.7% 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 June 30, 2023 | As at December 31, 2022 |
|-----------------------------|------------------------------------|-------------------------------|
| | <i>(in millions of RMB)</i> | |
| Financial bonds | 106,374.1 | 120,294.6 |
| USD guaranteed senior notes | 82,194.6 | 89,970.4 |
| Corporate bonds | 35,968.8 | 24,481.7 |
| Asset-backed securities | 31,156.3 | 24,134.3 |
| Mid-term notes | 9,447.1 | 9,515.8 |
| Tier-2 capital bonds | 8,204.3 | 8,025.1 |
| Certificates of deposit | 5,741.8 | 9,341.3 |
| Subordinated notes | 5,055.1 | 4,873.0 |
| Private placement notes | 1,731.7 | 604.8 |
| RMB guaranteed senior notes | 1,505.9 | – |
| Beneficiary certificates | 1,236.7 | 730.9 |
| Debt financing plan | 321.3 | 902.0 |
| HKD bonds | – | 9.0 |
| Total | <u>288,937.7</u> | <u>292,882.8</u> |

As at 30 June 2023, the balance of the Group's bonds issued amounted to RMB288,937.7 million, a decrease of 1.3% from RMB292,882.8 million as at December 31, 2022, mainly due to the Group's optimization of liquidity reserve size and appropriate adjustment of bond financing pace in the context of easy liquidity.

Due to Customers

As at December 31, 2022 and June 30, 2023, the balance of due to customers of the Group amounted to RMB323,040.5 million and RMB320,222.6 million, respectively, decreasing by 0.9% from the end of the previous year, mainly due to the decrease in demand deposits and guarantee deposits, partially offset by the increase in time deposits of NCB.

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

| | As at June 30, 2023 | As at December 31, 2022 | Change | Change in percentage (%) |
|---------------------------|---|-------------------------------|------------------|--------------------------------|
| | <i>(in millions of RMB)</i> | | | |
| Demand deposits | 97,306.6 | 101,913.4 | (4,606.8) | (4.5) |
| Corporate | 59,048.4 | 60,498.7 | (1,450.3) | (2.4) |
| Personal | 38,258.2 | 41,414.7 | (3,156.5) | (7.6) |
| Time deposits | 210,609.2 | 205,309.1 | 5,300.1 | 2.6 |
| Corporate | 86,660.7 | 101,259.8 | (14,599.1) | (14.4) |
| Personal | 123,948.5 | 104,049.3 | 19,899.2 | 19.1 |
| Guarantee deposits | 9,601.4 | 13,889.9 | (4,288.5) | (30.9) |
| Interest payable | 2,705.4 | 1,928.2 | 777.2 | 40.3 |
| Total | <u>320,222.6</u> | <u>323,040.5</u> | <u>(2,817.9)</u> | <u>(0.9)</u> |

3.2.3 Contingent Liabilities

Due to the nature of business, the Group is involved in certain legal proceedings in the ordinary course of business, including litigation and arbitration. The Group duly makes provisions for the probable losses with respect to those claims when its management can reasonably estimate the outcome of the proceedings, in light of the legal opinions 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 June 30, 2023, the claim amounts of pending litigation in which the Group was defendant were RMB2,178.0 million and RMB2,406.0 million, respectively, and provisions of RMB3.1 million and RMB6.7 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 operation results of the Group.

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

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

3.3 Business Overview

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

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

| | For the six months ended June 30, | | | |
|-----------------------------|--|---------------------|------------------------|---------------------|
| | 2023 | | 2022 | |
| | Total income | % of total | Total income | % of total |
| | <i>(in millions of RMB)</i> | | | |
| Distressed asset management | 18,950.2 | 55.3 | 30,299.4 | 73.4 |
| Financial services | 15,518.7 | 45.2 | 11,083.6 | 26.9 |
| Elimination | (171.2) | (0.5) | (124.7) | (0.3) |
| Total | <u>34,297.7</u> | <u>100.0</u> | <u>41,258.2</u> | <u>100.0</u> |

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

| | For the six months ended June 30, | | | |
|-----------------------------|--|---------------------|-----------------------|---------------------|
| | 2023 | | 2022 | |
| | Profit | % of total | Profit | % of total |
| | <i>(in millions of RMB)</i> | | | |
| | before tax | % of total | before tax | % of total |
| Distressed asset management | 2,020.7 | 37.8 | 3,982.1 | 56.6 |
| Financial services | 3,309.2 | 61.9 | 2,984.5 | 42.4 |
| Elimination | 19.6 | 0.4 | 65.9 | 0.9 |
| Total | <u>5,349.5</u> | <u>100.0</u> | <u>7,032.4</u> | <u>100.0</u> |

3.3.1 Distressed asset management

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

Distressed asset management is the main business and the primary source of income and profit of the Group. In the first half of 2022 and the first half of 2023, the income from the distressed asset management business accounted for 73.4% and 55.3% of the total income of the Group, respectively, and the profit before tax from the distressed asset management business accounted for 56.6% and 37.8% of the profit before tax of the Group, respectively.

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

| | As at June 30, 2023 | As at December 31, 2022 |
|--|--|-------------------------------|
| | <i>(in millions of RMB)</i> | |
| Net balance of distressed debt assets ⁽¹⁾ | 323,196.3 | 341,255.4 |
| Book value of DES Assets | 97,482.6 | 97,004.3 |
| Book value of other distressed assets ⁽²⁾ | 183,779.1 | 186,702.8 |
| | For the six months ended June 30, | |
| | 2023 | 2022 |
| | <i>(in millions of RMB)</i> | |
| Distressed debt assets | | |
| Acquisition cost of distressed debt assets | 26,556.0 | 35,141.9 |
| Income from distressed debt assets ⁽³⁾ | 8,493.3 | 10,228.2 |
| DES Assets | | |
| Gains on fair value changes ⁽⁴⁾ | 1,064.0 | 1,020.5 |
| Gains on other equity ⁽⁵⁾ | 3,455.0 | 3,835.7 |
| Other distressed assets | | |
| Income from other distressed assets ⁽⁶⁾ | 453.9 | 3,706.1 |

Note:

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

3.3.1.1 Source of Acquisition of Distressed Debt Assets

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

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

| | As at June 30, 2023 | | As at December 31, 2022 | |
|---|--|------------------------------------|-------------------------|--------------|
| | amount | % of total (in millions of RMB) | amount | % of total |
| Net balance of distressed debt assets⁽¹⁾ | | | | |
| FI Distressed Assets | 200,726.9 | 62.1 | 204,966.7 | 60.1 |
| NFI Distressed Assets | 122,469.4 | 37.9 | 136,288.7 | 39.9 |
| Total | 323,196.3 | 100.0 | 341,255.4 | 100.0 |
| | | | | |
| | For the six months ended June 30, 2023 | | 2022 | |
| | amount | % of total (in millions of RMB) | amount | % of total |
| Acquisition cost of distressed debt assets⁽²⁾ | | | | |
| FI Distressed Assets | 19,206.0 | 72.3 | 17,735.7 | 50.5 |
| NFI Distressed Assets | 7,350.0 | 27.7 | 17,406.2 | 49.5 |
| Total | 26,556.0 | 100.0 | 35,141.9 | 100.0 |
| | | | | |
| Income from distressed debt assets⁽³⁾ | | | | |
| FI Distressed Assets | 3,508.7 | 41.3 | 4,459.8 | 43.6 |
| NFI Distressed Assets | 4,984.6 | 58.7 | 5,768.4 | 56.4 |
| Total | 8,493.3 | 100.0 | 10,228.2 | 100.0 |

Note:

- (1) Mainly include the Company's distressed debt assets at fair value through profit or loss and distressed debt assets at amortized cost.
- (2) Represents the carrying amount of distressed debt assets acquired during the period 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 periods indicated.

| | For the six months ended June 30, | | | |
|---|--|--|------------------------|---------------------|
| | 2023 | | 2022 | |
| | Acquisition Amount | % of total (in millions of RMB) | Acquisition Amount | % of total |
| Large commercial banks | 4,189.2 | 21.8 | 2,918.7 | 16.5 |
| Joint-stock commercial banks | 7,412.5 | 38.6 | 5,326.5 | 30.0 |
| City and rural commercial banks | 6,176.2 | 32.2 | 1,727.3 | 9.7 |
| Other banks ⁽¹⁾ | 1,081.9 | 5.6 | 3,330.3 | 18.8 |
| Non-banking financial institutions ⁽²⁾ | 346.2 | 1.8 | 4,432.9 | 25.0 |
| Total | <u>19,206.0</u> | <u>100.0</u> | <u>17,735.7</u> | <u>100.0</u> |

Note:

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

NFI Distressed Assets

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

3.3.1.2 Business Model of Distressed Debt Assets

The Company mainly employs two business models in distressed debt asset management, which are (1) acquisition-operation model and (2) restructuring model.

The table below sets forth details on the acquisition and disposal of distressed assets by the Company using acquisition-operation model and restructuring model as at the dates and for the periods indicated.

| | As at June 30, 2023 | | As at December 31, 2022 | |
|--|--|---------------------|-------------------------|---------------------|
| | amount | % of total | amount | % of total |
| <i>(in millions of RMB)</i> | | | | |
| Net balance of distressed debt assets | | | | |
| Acquisition-operation distressed assets ⁽¹⁾ | 248,046.9 | 76.7 | 241,034.2 | 70.6 |
| Restructured distressed assets ⁽²⁾ | 75,149.4 | 23.3 | 100,221.2 | 29.4 |
| Total | <u>323,196.3</u> | <u>100.0</u> | <u>341,255.4</u> | <u>100.0</u> |
| | For the six months ended June 30, | | | |
| | 2023 | | 2022 | |
| | amount | % of total | amount | % of total |
| <i>(in millions of RMB)</i> | | | | |
| Acquisition cost of distressed debt assets | | | | |
| Acquisition-operation distressed assets | 26,556.0 | 100.0 | 26,157.2 | 74.4 |
| Restructured distressed assets | – | – | 8,984.7 | 25.6 |
| Total | <u>26,556.0</u> | <u>100.0</u> | <u>35,141.9</u> | <u>100.0</u> |
| Income from distressed debt assets | | | | |
| Acquisition-operation distressed assets ⁽³⁾ | 4,581.2 | 53.9 | 4,678.5 | 45.7 |
| Restructured distressed assets ⁽⁴⁾ | 3,912.1 | 46.1 | 5,549.7 | 54.3 |
| Total | <u>8,493.3</u> | <u>100.0</u> | <u>10,228.2</u> | <u>100.0</u> |

Note:

- (1) Mainly include the Company's distressed debt assets at fair value through profit or loss.
- (2) Equivalent to the Company's distressed debt assets at amortized cost minus impairment losses, as presented in the Interim Condensed 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 Interim Condensed 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, and disposal, etc.

In the first half of 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 expand acquisition sources and unblock 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. 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 periods indicated.

| | As at June 30, 2023 | As at December 31, 2022 |
|--|--|-------------------------------|
| | <i>(in millions of RMB)</i> | |
| Net balance of Acquisition-operation Distressed Assets | 248,046.9 | 241,034.2 |
| | For the six months ended June 30, | |
| | 2023 | 2022 |
| | <i>(in millions of RMB)</i> | |
| Acquisition cost of Acquisition-operation Distressed Assets | 26,556.0 | 26,157.2 |
| Carrying amount of Acquisition-operation Distressed Assets disposed ⁽¹⁾ | 19,209.9 | 19,513.3 |
| Unrealized fair value changes | 1,269.6 | 850.4 |
| Net income from Acquisition-operation Distressed Assets | 4,581.2 | 4,678.5 |
| Internal rate of return ⁽²⁾ (%) | 8.2 | 8.4 |

Note:

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

Restructured Distressed Assets

The primary sources of 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.

In the first half of 2023, in response to the external environment changes, the Company stuck to the principle of focusing on prudent operation in the principal business of “extensive distressed asset”, and earnestly fulfilled its professional responsibilities of preventing and defusing financial risks, serving the real economy, and supporting supply-side structural reform. Meanwhile, the Company actively addressed market risks, and strengthened the activation and disposal of risk assets, so as to promote the structural optimization of restructuring businesses.

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 periods indicated.

| | As at June 30, 2023 | As at December 31, 2022 |
|---|--|-------------------------------|
| | <i>(in millions of RMB)</i> | |
| Net balance of Restructured Distressed Assets | 75,149.4 | 100,221.2 |
| Balance of Restructured Distressed Assets classified as substandard, doubtful and loss ⁽¹⁾ | 9,837.6 | 9,285.7 |
| Impaired Restructured Distressed Assets ratio ⁽²⁾ (%) | 11.18 | 8.20 |
| Allowance for impairment losses | 12,841.2 | 13,060.5 |
| Impaired Restructured Distressed Assets coverage ratio ⁽³⁾ (%) | 130.5 | 140.7 |
| | For the six months ended June 30, | |
| | 2023 | |
| | <i>(in millions of RMB)</i> | |
| Acquisition cost of Restructured Distressed Assets | – | 8,984.7 |
| Income from Restructured Distressed Assets | 3,912.1 | 5,549.7 |
| Annualized return on monthly average balance ⁽⁴⁾ (%) | 6.8 | 7.4 |

Note:

- (1) Equals Restructured Distressed Assets classified as substandard, doubtful and loss with reference to the “Guidelines for the Classification of Loan Risks” of the former CBRC.
- (2) Equals Restructured Distressed Assets classified as substandard, doubtful and loss divided by the gross balance of Restructured Distressed Assets.
- (3) Equals asset impairment reserve balance divided by the balance of Restructured Distressed Assets classified as substandard, doubtful and loss.
- (4) 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.

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

| | As at June 30, 2023 | | As at December 31, 2022 | |
|--|-----------------------|------------------------------------|-------------------------|--------------|
| | Acquisition Amount | % of total (in millions of RMB) | Acquisition Amount | % of total |
| Real estate | 49,475.2 | 56.1 | 53,665.6 | 47.4 |
| Manufacturing | 9,335.8 | 10.6 | 11,427.8 | 10.1 |
| Leasing and commercial services | 6,643.9 | 7.6 | 7,758.2 | 6.8 |
| Mining | 3,771.9 | 4.3 | 7,153.8 | 6.3 |
| Wholesale and retail trade | 5,249.8 | 6.0 | 6,987.8 | 6.2 |
| Water conservancy, environment and public facilities management | 3,062.7 | 3.5 | 6,007.3 | 5.3 |
| Construction | 3,891.6 | 4.4 | 5,940.7 | 5.2 |
| Others | 6,559.7 | 7.5 | 14,340.5 | 12.7 |
| Total | 87,990.6 | 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 June 30, 2023 | | As at December 31, 2022 | |
|---------------------|-----------------------|------------------------------------|-------------------------|--------------|
| | Acquisition Amount | % of total (in millions of RMB) | Acquisition Amount | % of total |
| Bohai Rim | 23,798.6 | 27.0 | 28,089.1 | 24.8 |
| Yangtze River Delta | 9,238.6 | 10.5 | 16,175.5 | 14.3 |
| Pearl River Delta | 12,764.3 | 14.5 | 14,112.6 | 12.5 |
| Central China | 18,465.6 | 21.0 | 27,012.6 | 23.8 |
| Western China | 20,771.4 | 23.6 | 24,264.0 | 21.4 |
| Northeastern China | 2,952.1 | 3.4 | 3,627.9 | 3.2 |
| Total | 87,990.6 | 100.0 | 113,281.7 | 100.0 |

3.3.1.3 DES Assets Management

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

In the first half of 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 periods indicated.

| | As at June 30, 2023 | As at December 31, 2022 |
|---|--|-------------------------------|
| | <i>(in millions of RMB)</i> | |
| Total book value | | |
| DES Assets at fair value through profit or loss | 31,642.1 | 34,129.1 |
| DES Assets at interests in consolidated structured entities and associates and joint ventures | 61,630.5 | 59,826.9 |
| DES Assets at fair value through other comprehensive income | 4,209.9 | 3,048.3 |
| Total | 97,482.6 | 97,004.3 |
| | For the six months ended June 30, | |
| | 2023 | 2022 |
| | <i>(in millions of RMB)</i> | |
| DES Assets Income | | |
| Fair value changes ⁽¹⁾ | 1,064.0 | 1,020.5 |
| Gains realized with other accounting approaches ⁽²⁾ | 3,455.0 | 3,835.7 |

Notes:

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

3.3.1.4 Other Distressed Asset Businesses

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

Other Distressed Asset Business of the Company

Other distressed asset business of the Company refers to the business, in which the Company focuses on distressed entities aid and distressed assets revitalizing, takes liquidity assistance as breakthrough, applies flexible structures such as private funds, trust plans and asset management plans, invests its own or 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, fixed-income asset management products, securitization products and bonds.

The Company's other distressed asset business focused on real economy relief and restructuring of distressed enterprises, with emphasis on providing integrated financial solutions via substantial restructuring and other means. By seizing the opportunities of the supply-side structural reform and capital market reform, the Company accelerated to cultivate and develop the innovative business. The Company actively explored the business opportunities in such fields as the disposal and the revitalization of existing inefficient assets of "non-main business, non-dominant business, inefficient assets, ineffective assets, receivables and inventories" of central enterprises and state-owned enterprises, business crisis relief and bankruptcy reorganization, listed companies bailout, as well as the new economy area. The Company remained committed to the client-centric strategy, strengthened "headquarter-to-headquarter" marketing, cooperated with the central enterprises, state-owned enterprises and leading enterprises, vigorously expanded cooperation with preponderant industry investors to capture significant business opportunities, and created an ecosystem around the value chain of "extensive distressed asset" business.

As at December 31, 2022 and June 30, 2023, the balance of other distressed asset business investment of the Company amounted to RMB186.70 billion and RMB183.78 billion, respectively. In the first half of 2022 and the first half of 2023, the income from other distressed asset business of the Company amounted to RMB3.71 billion and RMB0.45 billion, respectively.

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 June 30, 2023, the balance of other distressed asset business investment of Cinda Hong Kong amounted to RMB41.95 billion and RMB40.39 billion, respectively. In the first half of 2022 and the first half of 2023, the income of other distressed asset business of Cinda Hong Kong amounted to RMB1.12 billion and RMB1.18 billion, respectively.

Cinda Investment

Being committed to the missions of serving the real economy, preventing financial risks and deepening financial reform, Cinda Investment deeply integrated into the coordinated development of the Group, highlighted the main business, promoted business transformation and upgrading, and emphasized business characteristics of “proactive management, value restoration, stock revitalization, resources integration, and group coordination”, formed a mature business profit model in the real economy field such as energy resources and advanced technology as well as an advantaged industry investment pattern, so as to build the leading and professional investment capability in bailout and problematic institutions.

As at December 31, 2022 and June 30, 2023, the balance of other distressed asset business investment of Cinda Investment amounted to RMB62.02 billion and RMB60.05 billion, respectively. In the first half of 2022 and the first half of 2023, the income from other distressed asset business of Cinda Investment amounted to RMB2.54 billion and RMB1.77 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 management segment 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.

As at December 31, 2022 and June 30, 2023, the balance of the other distressed asset business investment of Zhongrun Development amounted to RMB3.04 billion and RMB2.72 billion, respectively. In the first half of 2022 and the first half of 2023, the income from other distressed asset business of Zhongrun Development amounted to RMB0.09 billion and RMB0.06 billion, respectively.

Cinda Real Estate

As a professional real estate platform of the Group, Cinda Real Estate plays the role of “project management subject, post-investment management assistant, and real estate investment advisor” in the Group’s distressed assets business of real estate. Cinda Real Estate revitalizes distressed real estate, unlocks and enhances values of such assets through methods such as equity merger and entrusted construction, so as to provide effective channels for asset disposal and realization. Cinda Real Estate adopts various modes such as acquisition, merger, entrusted construction, joint construction, supervision and consultation to participate in the Group’s real estate business synergy, promote the resumption of real estate risk projects and practically “ensure the housing project delivery, stability and people’s livelihood”. In the first half of 2023, Cinda Real Estate witnessed management of 2.166 million square meters of new collaborative projects, revitalizing a total of 2.203 million square meters.

In the first half of 2022 and the first half of 2023, Cinda Real Estate achieved revenue from sales of properties held for sale of RMB7.02 billion and RMB2.13 billion, respectively.

3.3.1.5 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 June 30, 2023, the balance of the entrusted operation distressed assets both amounted to RMB8.31 billion.

3.3.2 Financial Services Business

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

In the first half of 2022 and the first half of 2023, the income from the financial services business accounted for 26.9% and 45.2% of the total income of the Group, respectively, and the profit before tax from the financial services business accounted for 42.4% and 61.9% 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 periods indicated.

| | For the six months ended June 30, | | | | As at June 30, 2023 | | As at December 31, 2022 | |
|-------------------------|-----------------------------------|-------------------|---------|-------------------|-----------------------------|------------|-------------------------|------------|
| | 2023 | | 2022 | | Total assets | Net assets | Total assets | Net assets |
| | Income | Profit before tax | Income | Profit before tax | <i>(in millions of RMB)</i> | | | |
| NCB | 10,238.6 | 2,017.1 | 6,183.7 | 1,884.4 | 483,376.9 | 59,801.4 | 482,332.0 | 54,385.7 |
| Cinda Securities | 2,701.3 | 813.4 | 2,443.2 | 553.5 | 72,850.2 | 17,506.4 | 65,762.3 | 14,181.4 |
| Jingu Trust | 534.6 | 208.8 | 491.7 | 144.9 | 9,020.6 | 4,479.4 | 6,865.8 | 4,363.2 |
| Cinda Financial Leasing | 2,061.4 | 270.6 | 1,908.4 | 416.1 | 81,948.2 | 8,622.9 | 80,383.5 | 8,243.7 |

Note:

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

3.3.2.1 Banking Business

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

The development of NCB played an important role in the Group. Considering both internal and external economic conditions and its strategies, the Group has put forward the goal of developing NCB into a platform for 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 periods indicated.

| | As at June 30, 2023 | As at December 31, 2022 |
|--|--|-------------------------------|
| | <i>(in billions of RMB)</i> | |
| Total assets | 483.4 | 482.3 |
| Total loans | 266.7 | 262.4 |
| Total deposits | 323.7 | 326.5 |
| Asset quality indicators (%) | | |
| Non-performing loan ratio ⁽¹⁾ | 1.88 | 1.19 |
| Capital adequacy ratio indicators (%) | | |
| Total capital ratio ⁽²⁾ | 18.93 | 17.45 |
| Tier-1 capital ratio ⁽³⁾ | 15.41 | 14.04 |
| Tier-1 common capital ratio ⁽⁴⁾ | 13.36 | 12.67 |
| Other indicators (%) | | |
| Liquidity coverage ratio ⁽⁵⁾ | 152.07 | 139.36 |
| | 152.07 | 139.36 |
| | For the six months ended June 30, | |
| | 2023 | 2022 |
| | <i>(in billions of RMB)</i> | |
| Net interest income | 3.4 | 2.5 |
| Net commission and fee income | 0.7 | 0.6 |
| Profitability indicators (%) | | |
| Annualized return on average assets ⁽⁶⁾ | 0.80 | 0.74 |
| Annualized return on average shareholder's equity ⁽⁷⁾ | 7.02 | 6.55 |
| Net interest margin ⁽⁸⁾ | 1.53 | 1.25 |
| Cost-to-income ratio ⁽⁹⁾ | 34.39 | 37.35 |
| | 34.39 | 37.35 |

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 high-quality liquid asset reserves divided by the difference between cash outflows over the next 30 days and cash inflows over the next 30 days.
- (6) Equals profit after tax for the period divided by the average balance of assets as at the beginning and the end of the period, which is annualized.
- (7) 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, which is annualized.
- (8) Equals net interest income divided by daily average balance of interest-generating assets, which is annualized.
- (9) Equals operating expenses divided by operating income.

NCB Hong Kong

Rooted in Hong Kong, NCB Hong Kong focuses on providing professional service, and it is well-known for its expertise for 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 cross-border financial expertise to optimize its products and service processes, enhance its online and offline customer service channels, and improve cross-border service professional level and customer experience, which has realized stable development of operating business.

In the first half of 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”. In the first half of 2023, NCB Hong Kong realized a synergy gain of HKD0.09 billion by playing the role of the Group’s core platform for integrated financial services and supporting the Group’s business development in credit supply and industrial investment.

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

| | As at June 30, 2023 | As at December 31, 2022 |
|---------------------------------|--|-------------------------------|
| | <i>(in billions of RMB)</i> | |
| From personal customers | | |
| Balance of loans | 29.8 | 29.8 |
| Balance of deposits | 153.0 | 136.5 |
| From corporate customers | | |
| Balance of loans | 166.8 | 160.1 |
| Balance of deposits | 96.7 | 122.1 |
| | 256.5 | 229.4 |
| | <i>(in billions of RMB)</i> | |
| | | |
| | For the six months ended June 30, | |
| | 2023 | 2022 |
| | <i>(in billions of RMB)</i> | |
| From personal customers | | |
| Net interest income | 0.5 | 0.4 |
| Net commission and fee income | 0.2 | 0.2 |
| From corporate customers | | |
| Net interest income | 1.0 | 1.0 |
| Net commission and fee income | 0.3 | 0.2 |
| | 1.3 | 1.2 |

NCB China

NCB China 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 the first half of 2023, the synergistic business of NCB China with the Group totaled RMB19.80 billion, and realized business synergy income of RMB0.18 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 key financial and business indicators of NCB China as at the dates and for the periods indicated.

| | As at June 30, 2023 <i>(in billions of RMB)</i> | As at December 31, 2022 |
|--|--|-------------------------------|
| Total assets | 144.6 | 142.8 |
| Total loans | 82.6 | 81.1 |
| Total deposits | 85.0 | 85.1 |
| Asset quality indicators (%) | | |
| Non-performing loan ratio | 1.60 | 1.36 |
| Provision coverage ratio | 130.64 | 136.16 |
| Capital adequacy ratio indicators (%) | | |
| Core tier-one capital adequacy ratio | 17.57 | 16.69 |
| Tier-one capital adequacy ratio | 17.57 | 16.69 |
| Capital adequacy ratio | 18.00 | 17.10 |
| | For the six months ended June 30, 2023 <i>(in billions of RMB)</i> | 2022 |
| Net interest income | 0.9 | 0.9 |
| Net commission and fee income | 0.1 | 0.1 |
| Profitability indicators (%) | | |
| Annualized return on average assets | 0.51 | 0.89 |
| Annualized return on average shareholders equity | 4.44 | 8.20 |

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

| | As at June 30, 2023 | | As at December 31, 2022 | |
|----------------------------|-----------------------------|--------------|-------------------------|--------------|
| | Balance | % of total | Balance | % of total |
| | <i>(in billions of RMB)</i> | | | |
| Loans | | | | |
| Corporate Banking Business | 63.4 | 76.8 | 60.9 | 75.0 |
| Personal Banking Business | 19.2 | 23.2 | 20.2 | 25.0 |
| Total | 82.6 | 100.0 | 81.1 | 100.0 |
| Deposits | | | | |
| Corporate Banking Business | 73.9 | 86.9 | 75.0 | 88.1 |
| Personal Banking Business | 11.1 | 13.1 | 10.1 | 11.9 |
| Total | 85.0 | 100.0 | 85.1 | 100.0 |

3.3.2.2 Securities, Futures and Fund Management

The Group conducts securities, futures and fund management business through Cinda Securities and its subsidiaries. In the first half of 2022 and the first half of 2023, the revenue of Cinda Securities amounted to RMB1,785.2 million and RMB1,897.0 million, respectively.

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

Cinda Securities

The table below sets forth the revenue of Cinda Securities and their corresponding percentages by business for the periods indicated.

| | For the six months ended June 30, | | | |
|----------------------------------|-----------------------------------|--------------|----------------|--------------|
| | 2023 | | 2022 | |
| | Amount | % of total | Amount | % of total |
| | <i>(in millions of RMB)</i> | | | |
| Securities and futures brokerage | 688.9 | 36.3 | 761.7 | 42.7 |
| Proprietary securities trading | 442.9 | 23.4 | 108.5 | 6.1 |
| Investment banking | 64.3 | 3.4 | 48.6 | 2.7 |
| Asset management | 547.1 | 28.8 | 615.7 | 34.5 |
| Other business | 153.8 | 8.1 | 250.8 | 14.0 |
| Total | 1,897.0 | 100.0 | 1,785.2 | 100.0 |

Cinda Futures

The Group conducts futures business through Cinda Futures. In the first half of 2022 and the first half of 2023, income from the futures business of Cinda Futures amounted to RMB106.1 million and RMB106.0 million, respectively, and the operating profit realized amounted to RMB45.7 million and RMB43.1 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 June 30, 2023, the Group had 51 and 54 mutual securities investment funds with the total AUM of mutual funds and asset management plans amounted to RMB103.49 billion and RMB94.35 billion, respectively. In the first half of 2022 and the first half of 2023, management fee income from mutual funds and asset management plans amounted to RMB469.1 million and RMB461.6 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 the first half of 2022 and the first half of 2023, the revenue of Cinda International amounted to RMB27.0 million and RMB61.3 million, respectively.

3.3.2.3 Trusts

The Group conducts trust business through Jingu Trust. As at December 31, 2022 and June 30, 2023, the existing trust AUM of the Group amounted to RMB167.39 billion and RMB155.25 billion, respectively, and the Group managed 304 and 338 existing trust projects, respectively. In the first half of 2022 and the first half of 2023, the commission and fee income generated from trust business were RMB0.34 billion and RMB0.43 billion, respectively, accounting for 79.5% and 82.7% 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 RMB10.11 billion of new synergy projects in the first half of 2023, and the balance of the synergy business reached RMB34.65 billion, 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 June 30, 2023 | | As at December 31, 2022 | |
|-----------------------------|-----------------------------|---------------------|-------------------------|---------------------|
| | Amount | % of total | Amount | % of total |
| | <i>(in millions of RMB)</i> | | | |
| Infrastructure | 21,402.8 | 13.8 | 21,836.0 | 13.0 |
| Real estate | 7,039.0 | 4.5 | 10,665.6 | 6.4 |
| Securities markets | 21,086.9 | 13.6 | 14,418.6 | 8.6 |
| Industry and commerce | 86,584.5 | 55.8 | 96,534.7 | 57.7 |
| Financial institutions | 18.0 | 0.0 | 3,141.1 | 1.9 |
| Asset-backed securitization | 19,111.4 | 12.3 | 20,642.5 | 12.3 |
| Others | 11.3 | 0.0 | 155.9 | 0.1 |
| Total | <u>155,253.8</u> | <u>100.0</u> | <u>167,394.4</u> | <u>100.0</u> |

3.3.2.4 Financial Leasing

The Group conducts financial leasing business through Cinda Financial Leasing. As at December 31, 2022 and June 30, 2023, the net finance lease receivables of the Group were RMB69.64 billion and RMB72.10 billion, respectively. In the first half of 2022 and the first half of 2023, the net revenue generated by the financial leasing business of the Group were RMB812.4 million and RMB906.7 million, respectively, and the net profit generated from the financial leasing business of the Group for the same period were RMB332.3 million and RMB379.3 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 help build the Group's customer base and ecosystem. Cinda Financial Leasing adhered to its strategic positioning, gave full play to its advantages, and played an active role in key industries and key areas such as serving the real economy, supporting strategic emerging industries, green leasing, and serving micro and small-sized enterprises. In the first half of 2023, Cinda Financial Leasing made 8 new collaborative investments in the Group's strategic and important customers, with a contract value of RMB2.41 billion.

Product Types

In the first half of 2023, the net income from specialized products and non-specialized products was RMB241.2 million and RMB665.5 million, respectively, representing 26.6% and 73.4% 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 June 30, 2023 | | As at December 31, 2022 | |
|--|---------------------|------------------------------------|-------------------------|--------------|
| | Amount | % of total (in millions of RMB) | Amount | % of total |
| Manufacturing | 20,539.1 | 27.3 | 20,741.9 | 28.7 |
| Construction | 17,454.5 | 23.2 | 17,489.7 | 24.2 |
| Leasing and commercial services | 13,768.0 | 18.3 | 12,213.8 | 16.9 |
| Transportation, logistics and postal services | 5,341.7 | 7.1 | 5,059.0 | 7.0 |
| Mining | 5,717.9 | 7.6 | 6,070.8 | 8.4 |
| Production and supply of power, heat, gas and water | 3,159.9 | 4.2 | 4,408.5 | 6.1 |
| Water conservancy, environment and public facilities management | 5,868.3 | 7.8 | 3,396.8 | 4.7 |
| Others | 3,385.5 | 4.5 | 2,890.9 | 4.0 |
| Total | 75,234.9 | 100.0 | 72,271.3 | 100.0 |

3.3.3 Human Resources Management

In the first half of 2023, with a focus on promoting high-quality Party building, the Company vigorously strengthened the construction of talent teams, deepened the reform of the management system and mechanism, and solidly advanced various tasks to provide strong organizational guarantee and talent support for the Company's high-quality reform and development.

3.3.3.1 Employees

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

| | As at June 30, 2023 | | As at December 31, 2022 | |
|----------------------------------|------------------------|--------------|-------------------------|--------------|
| | Number of employees | % of total | Number of employees | % of total |
| By location | | | | |
| Employees in Mainland China | 12,278 | 88.0 | 11,978 | 87.3 |
| Employees in Hong Kong and Macao | 1,669 | 12.0 | 1,739 | 12.7 |
| By gender | | | | |
| Male | 7,964 | 57.1 | 7,567 | 55.2 |
| Female | 5,983 | 42.9 | 6,150 | 44.8 |
| Total | 13,947 | 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 or above accounted for 92% and 61% respectively. The Company has achieved employee diversity, including gender by taking diversity as the significant consideration factor in human resources management. In order to ensure its stable development in the long run, the Company has attached great importance to its relationship with all employees. The business and financial conditions of the Company are not reliant on particular employee(s).

3.3.3.2 Remuneration Policy

The Company's compensation policy follows the basic principle of performance first while giving consideration to fairness. The compensation management follows the market-oriented principle, the compensation distribution is linked to business performance, and the performance-based compensation payment is in line with business risks. The Company has established and improved the deferred payment and recourse deduction mechanism for compensation distribution to continuously promote the Company to focus on the main responsibility and business and promote the high-quality development of business.

3.3.4 No Material Changes

Save as disclosed herein, there have been no material matters affecting the performance of the Company since the publication of the 2022 annual report that are required to be disclosed in accordance with Appendix 16 to the Hong Kong Listing Rules.

3.4 Risk Management

3.4.1 Framework of Comprehensive Risk Management

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

In the first half of 2023, the Company continued to promote the construction of the comprehensive risk management system and focused on strengthening the risk management concept of "protecting the bottom-line by managing risks proactively", ensured the unified 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 continued to strengthen risk control from the headstream, proactively investigate and respond to hidden risks, actively prevent and defuse business risks, and ensure stable asset quality. The Company continuously developed the "Digital Cinda" risk control system to improve the application of the results of the risk monitoring platform and enhance the perspectiveness and effectiveness of the Group's risk management.

3.4.2 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 make use of risk appetite system as a guide in the operation of the Group as a whole. Since its launch, the Group's risk appetite system has effectively promoted the Company to strictly implement national policies and regulatory requirements, further focus on the main responsibility and business, enhance support in addressing distressed institutions and distressed assets, ensure the implementation of the Group's development strategy and encourage the characteristic and differentiated business, 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 set risk tolerance.

3.4.3 Risk Management Organizational Structure

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

In the first half of 2023, the Risk Management Committee of the Board convened three 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 under the Senior Management convened six meetings to consider and approve various resolutions, such as the risk management policy, the risk limits management plan and the risk monitoring and evaluation plan of the Group.

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

In the first half of 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. As a step forward, the Company also carried on its progress in developing a dedicated risk management team, and strove to continuously improve the performance and competence of all personnel involved in risk management and comprehensively enhance the risk control awareness of all staff through methods such as introspecting risk projects, business training programs, qualification verification and performance assessment.

3.4.4 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 the major types of risks, including credit risk, market risk, operational risk, liquidity risk, related party transaction risk, reputation risk, concentration risk and overseas risk, and the Group's risk limit management scheme for 2023 with five major parts, including credit risk limit, market risk limit, liquidity risk limit, related party transaction risk limit and concentration risk limit. The Company further improved the forward-looking risk management, to match the alignment of business scale, operating income and risk exposure, resolutely prevented the occurrence of systematic risks, carried out business compliantly and prudently according to the risk appetite, and ensured the asset quality and liquidity security. In the first half of 2023, the Company revised systems including the Credit Risk Management Measures and the Market Risk Management Measures, optimized the working process of the management of major types of risks so as to further improve the effectiveness of risk management and control.

3.4.5 Risk Management Tools and System

The Company has 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 among 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 the first half of 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 concentration risks with key customers, industries and regions were under control. The Company also adjusted the management and control methods based on changes in risk exposure on a timely basis, so as to ensure the effectiveness and timeliness of concentration management. With economic capital management on top of the agenda, the Company strictly controlled the risk limit control standard and appropriately assigned the economic capital quota for each business line, with an aim to optimizing the allocation of business and management resources. The Company continued to promote the development and construction of the “Digital Cinda” risk management system, and further enhanced the perspectiveness and effectiveness of the Group’s risk management.

3.4.6 Management of Credit Risk

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

Based on the principle of “maintaining robust operation, improving business quality, strengthening control from the headstream, increasing effective investment, promoting risk defusion, and consolidating asset quality”, the Company has built a risk-return balanced business portfolio under capital constraints, and actively enhanced the credit risk management based on the scale and development potential of regional economy as well as its own status.

In the first half of 2023, the Company implemented the risk policies of the customers, industries, regions and products, enhanced its deployment in “extensive distressed assets business” field while focusing on distressed entities and distressed assets, accelerated the business reform and optimized the business structure to promote the high-quality development of business. Pursuant to its business operating strategy, the Company re-checked and optimized the internal rating system to improve the level of delicacy management of the Group’s credit risk, optimized the standards for customers and projects to control the Company’s asset quality from the entry end; further improved the management mechanism for major projects, proactively strengthened risk control from the headstream, prevented substantive risks of major projects, strictly conducted risk assessment, and promoted the risk resolution of major projects; carried out asset classification work in strict accordance with regulatory requirements and internal regulations, accurately measured risks and consolidated assets quality; continued to improve the unified credit management and control system for the group customer, strengthen the risk identification and credit line management, realize the overall management of customers, and rationally control the credit risk exposure to the group customer.

3.4.7 Management of Market Risk

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

With respect to interest rate risk, the Company, following the general principle of re-pricing maturities matching of assets and liabilities, has maintained the interest rate risk at an acceptable level by reasonably controlling asset maturities, flexibly adjusting debt duration, and effectively regulating and controlling the pricing at the asset end and cost at the debt end. 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 the first half of 2023, the A-share market rose slightly and then oscillated around the pivot, with plate 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 trends and cycle characteristics and liquidity changes in the value of the equity of investee enterprises, and raised its efforts in research and judgment so as to reasonably formulate and adjust the management strategies of its listed equity assets and endeavored to enhance management effectiveness.

3.4.8 Management of Liquidity Risk

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

The Company, focusing on liquidity security, has resolutely implemented the regulatory authorities' requirements on liquidity risk management, and constantly improved the liquidity risk management policies, procedures and institutional systems, in order to manage the liquidity risk of the Group in a holistic manner. The Company enhanced the market analysis and research, monitored the liquidity of the entities within the Group relying on the information system, regularly held liquidity risk analysis meetings of subsidiaries to promote subsidiaries to increase medium- and long-term funds, and effectively improve the liquidity management level of subsidiaries. The Company constantly strengthens the construction of financing capacity and effectively ensures the liquidity security of the Group.

In the first half of 2023, the Company continued to optimize the debt structure and innovate financing methods, continuously diversified the financing channels, consolidated and expanded the credit scale, and effectively enhanced the stability of the debt financing system while improving the matching degree of the term and structure of assets and liabilities. The Company strengthened the communication and coordination mechanism among the Group, established the information sharing mechanism for bond underwriters and the filing mechanism for debt finance of subsidiaries, prospectively guided and effectively improved the financing capabilities of subsidiaries. Various measures were taken to ensure the medium- and long-term liquidity security of the Group.

3.4.9 Management of Concentration Risk

Concentration risk refers to the risk that a single or a combination of risk exposure may threaten the overall solvency or financial condition of the Company and result in a material change in the risk profile. The Company mainly monitors the concentration risk of customers, industries, regions, and related party transactions.

The Company managed the concentration risk in accordance with the principle of “sticking to the bottom line, providing comprehensive coverage, promoting management and control beforehand and differentially” and strictly followed the relevant regulatory requirements. Under the leadership of the Board and the management, the Company continuously improved the concentration risk management system, with an aim to control the concentration risk.

In the first half of 2023, the Company initiated the revision of the Measures for Management of Concentration Risk and further improved the risk management mechanism of key customers, strengthened the risk identification, measurement, monitoring, control and reporting, and enhanced the perceptiveness and linkage of risk management, in order to effectively improve the key customer management ability and control the risk exposure of the major customers.

3.4.10 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 the first half of 2023, the Company further deepened its operational risk management. The Company improved relevant systems and processes in business management, risk management and information technology, and strengthened the source control. Under the framework of comprehensive risk management, the Company carried out operational risk investigation and corrected the problems timely to further promote the sound development of business. The Company strengthened outsourcing risk management, improved requirements of the digital ecology and safety production in business outsourcing activities and carried out relevant inspections to continuously improve the refinement of the Company’s operational risk management.

3.4.11 Management of Reputation Risk

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

In the first half of 2023, the Company thoroughly implemented the regulatory requirements, and continuously improved the construction of the reputation risk management system and the professionalism, timeliness and effectiveness of reputation risk management. The Company paid attention to the routine management of reputation risk, strengthened public sentiment monitoring, warning and information sharing, and provided guidance on public sentiment handling. The Company attached importance to the prevention and handling of potential reputation risks, carried out investigation and enhanced control from the source end; timely responded to the concerns of the media and the public and actively promoted a series of influential communication activities to effectively maintain the Company’s brand and image. During the Reporting Period, the Company’s reputation risk management was steadily improved, and the overall public sentiment management was stable.

3.4.12 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 effectiveness of anti-money laundering in accordance with the “risk-oriented” guiding principle.

In the first half of 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 made reasonable allocation of resources, and took corresponding control measures based on the risk assessment of institutional money laundering; continuously promoted the transformation of anti-money laundering information system, and embedded anti-money laundering related control measures into the new core system process; organized comprehensive self-inspection and cross-check of money laundering risks, and carried out on-site inspection of anti-money laundering work of key institutions to promote rectification and governance through inspection; organized the targeted anti-money laundering training covering Directors, Senior Management, new employees, anti-money laundering personnel and internal audit personnel to specifically improve the awareness of money laundering risk prevention of all staff, and strengthen the performance ability of employees; enhanced the anti-money laundering propaganda and enriched the forms of publicity to achieve good publicity effect.

3.5 Capital Management

The Company established a management and development model on the basis of capital constraints with reference to relevant requirements and specific rules on capital supervision issued by the NAFR. In the process of business expansion, the awareness of 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, continued to promote the capital restraint oriented business development mechanism, actively explored the capital-saving business model, improved the efficiency of capital utilization, monitored the real-time capital changes of every business sector and every product line, and the stable capital situation was maintained, so as to support the high-quality business development across the Company’s business.

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

| | As at June 30, 2023 | As at December 31, 2022 |
|--|------------------------------------|-------------------------------|
| | <i>(in millions of RMB)</i> | |
| Core tier-1 capital adequacy ratio (%) | 11.37 | 10.98 |
| Tier-1 capital adequacy ratio (%) | 15.94 | 15.48 |
| Capital adequacy ratio (%) | 17.70 | 17.25 |
| Net core tier-1 capital | 81,395.4 | 79,880.2 |
| Net tier-1 capital | 114,143.4 | 112,628.2 |
| Net capital | 126,755.0 | 125,443.1 |
| Risk-weighted assets | <u>716,031.7</u> | <u>727,416.4</u> |

As at December 31, 2022 and June 30, 2023, the leverage ratio (the ratio of interest-bearing liabilities, as presented in “Management Discussion and Analysis” – “Summary of Financial Position of the Group” – “Liabilities”, to equity, as presented in “Management Discussion and Analysis” – “Summary of Financial Position of the Group”) of the Company were 6.4:1 and 6.0:1 respectively.

3.6 Prospects

In the second half of 2023, the global economic recovery may further slow down. The recovery of China’s economy will see improvement, but the endogenous power is not strong yet, the demand is still insufficient, and the economic transformation and upgrading is facing new obstacles, where many difficulties and challenges are to be overcome to promote high-quality development. Staying true to the general principle of seeking progress while maintaining stability, the Chinese government will better balance both domestic and international situations, and better balance development with security, comprehensively deepen reform and opening up, combine the effectiveness of policies with the stimulation of the vitality of operating entities, and promote the economy to achieve effective quality upgrading and reasonable quantity growth.

With structural problems and cyclical contradictions intertwined, domestic and overseas risks and challenges have increased. It is expected that the size of non-performing loan from commercial banks will continue to grow, the quality of real estate-related loans will continue to be under pressure, the reform and risk mitigation of the distressed financial institutions will be accelerated, and the delisting of stocks will be normalized under the comprehensive registration system. Small and medium-sized enterprises are facing difficulties in operating such as sluggish demand, shrinking orders, insufficient work, poor sales and delinquent accounts. Real estate enterprises and local government financing vehicles are still faced with greater debt pressure. AMCs shall accurately grasp the responsibilities and missions in the new era, and make greater contributions in the prevention and defusing of major risks and activating existing assets.

The Company will, based on the guidance of the spirit of the 20th National Congress of the Party and the Central Economic Work Conference, as well as the decisions and arrangements of the CPC Central Committee and the State Council on financial work and the regulatory requirements of the NAFR, stand fast to its main responsibilities and business and pursue innovation while upholding integrity, accelerate business transformation and upgrading in order to improve the quality and efficiency in serving the real economy, for unswervingly following the road of high-quality development of AMC with Chinese characteristics, focusing on the three key tasks of serving the real economy, preventing and defusing financial risks, and deepening financial reform. First, the Company will further increase investment in the main business of distressed assets to consolidate its core position. The Company will proactively participate in such assertive tasks as the disposal of distressed financial assets, the reform of small and medium-sized financial institutions for addressing risks, and the trusteeship and bailout of high-risk institutions; actively integrate into the new local development pattern by the way of serving the real economy, defusing financial risks and promoting the reform of state-owned enterprises; expand business opportunities in the fields of “non-main business, non-dominant business and inefficient assets, ineffective assets, receivables, inventories” of state-owned enterprises; capital market bailout, emerging industries and real estate enterprises bailout; deeply penetrate the business focus down to the regions, stay close to customers, establish expert service groups, and provide differentiated financial solutions for the quality development of local economy and the construction of modern industrial system. Second, the Company will comprehensively promote the innovation of business model and build an open and inclusive distressed asset ecosystem; promote the comprehensive marketing activities of “Ten Provinces and Twenty Cities”, vigorously promote customer conversion, improve the construction of customer information system, and gradually form the development pattern of a large ecosystem of distressed assets plus small ecosystem of multi-line and multi-region. The Company will actively explore asset-light modes such as fund-based, product-based, asset-backed securitization and structured financing to promote the transformation and development of business towards management services. Third, the Company will continue to strengthen internal control and compliance management and enhance core business capabilities. The Company will achieve the high-quality development with the lead of high-quality Party building and constantly improve the modern financial enterprise system with Chinese characteristics; improve the development quality and efficiency of subsidiaries, and further streamline and optimize the group structure; introduce a new flexible organizational mechanism, optimize the marketing system as well as investment and research system, and transform the Group’s professional advantages into development advantages; reflect projects with major risks and continuously improve the professional ability of risk management and compliance operation; improve the core business capabilities through strengthening the training system and carrying out hands-on training camps. By comprehensively speeding up the construction of “Digital Cinda”, the Company will strengthen the Group’s digital governance and continue to preserve in data empowerment.

4 CHANGES IN SHARE CAPITAL AND INFORMATION ON SUBSTANTIAL SHAREHOLDERS

4.1 Changes in Ordinary Share Capital

As at June 30, 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 |

4.2 Substantial Shareholders of Ordinary Shares and De Facto Controller

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

To the knowledge of the Directors, as at June 30, 2023, the following persons had, or were deemed to have, an interest or short position in the shares and underlying shares which have been recorded in the register kept by the Company under the Section 336 of the Hong Kong SFO:

| Name | Capacity | Number of Shares held directly and indirectly | Class of shares | Nature of interest | Approximate percentage to the total issued shares (%) | Approximate percentage to the relevant class of shares (%) |
|---|------------------------------------|---|-----------------|--------------------|---|--|
| MOF | Beneficial owner | 22,137,239,084 | Domestic Shares | Long position | 58.00 | 90.00 |
| National Council for Social Security Fund | Beneficial owner | 2,459,693,232 | Domestic Shares | Long position | 6.44 | 10.00 |
| China COSCO Shipping Corporation Limited ⁽¹⁾ | 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 owned by China COSCO Shipping Corporation Limited, for the purpose of 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 held by Oversea Lucky Investment Limited in the Company.
- (2) As per the Corporate Substantial Shareholder Notice filed by DBS Group Holdings Ltd with the Hong Kong Stock Exchange on November 2, 2021, DBS Bank Ltd. directly held 767,673,611 H Shares (Long position) and 741,775,774 H Shares (Short position) in the Company. As DBS Bank Ltd. is a controlled corporation of DBS Group Holdings Ltd, DBS Group Holdings Ltd is therefore deemed to be interested in 767,673,611 H Shares (Long position) and 741,775,774 H Shares (Short position) in the Company held by DBS Bank Ltd.

4.2.2 De facto Controller

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

MOF

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

4.3 Preference Shares

4.3.1 Issuance and Listing of Preference Shares

During the Reporting Period, the Company did not carry out any issuance and listing of preference shares.

4.3.2 Number of Preference Shareholders and Particulars of Preference Shareholding

As at June 30, 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 were based on the information set out in the register of preference shareholders kept by the Company. Based on the information available to the Company, the register of preference shareholders presented the information on proxies of placees. CCB Nominees Limited (a subsidiary of China Construction Bank (Asia) Corporation Limited) as the proxy is the only registered holder of the 2021 Offshore Preference Shares of the Company.

4.3.3 Dividend Distribution of Preference Shares

Subject to the terms and conditions of the issuance of 2021 Offshore Preference Shares, each of the 2021 Offshore Preference Share shall entitle the holder thereof to receive non-cumulative payable dividends in arrears which have not been otherwise cancelled each year. 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.

The dividend distribution plan of 2021 Offshore Preference Shares was considered and approved at the seventh meeting and the third regular meeting of the Board in 2023, approving the Company to distribute dividends of 2021 Offshore Preference Shares on November 3, 2023, at the rate of 4.40% per annum (after tax). The total amount of dividends is 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.

4.3.4 Redemption or Conversion of Preference Shares

The Company has set a trigger event term for 2021 Offshore Preference Shares, upon the occurrence of which the offshore preference shares would be irrevocably and compulsorily converted into a certain number of H Shares. The trigger event refers to the earlier of (a) the CBIRC having concluded that without a decision on the write-off or conversion into ordinary shares, the Company would become non-viable; and (b) the relevant regulatory authorities such as MOF and the People's Bank of China 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 mandatory 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.

4.3.5 Restoration of Voting Rights of Preference Shares

During the Reporting Period, there was no restoration of any voting right of preference shares of the Company.

4.3.6 Accounting Policy Adopted for Preference Shares and Grounds

According to the relevant requirements of the PRC GAAP and IFRS and the terms of the issuance of 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.

5 DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

5.1 General Information

Directors

As of the date of this report, the Board consisted of Mr. Zhang Weidong (Chairman), Mr. Liang Qiang and Mr. Zhao Limin as executive Directors, Mr. Wang Shaoshuang, Mr. Chen Xiaowu, Ms. Zhang Yuxiang and Mr. Liu Chong 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.

Supervisors

As of the date of this report, the Board of Supervisors consisted of Mr. Zhen Qinggui, Mr. Liu Li and Mr. Cai Xiaoqiang as external Supervisors, Ms. Gong Hongbing, Mr. Lu Baoxing, Mr. Yuan Liangming and Ms. Zhou Lihua as employee Supervisors.

Senior Management

As of the date of this report, the Senior Management consisted of Mr. Liang Qiang as President, Mr. Ling Gan as a Senior Management member, Mr. Liu Ligeng, Mr. Hu Jiliang, Mr. Zhao Limin and Mr. Li Hongjiang as Vice Presidents, Mr. Jiu Zhengchao and Mr. Wang Zhengmin as Assistants to President, Mr. Luo Zhenhong as Chief Risk Officer, Mr. Ai Jiuchao as Board Secretary, and Mr. Yang Yingxun as Chief Financial Officer.

5.2 Information on Changes

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 NAFR and his term of office will take effect from the date of approval.

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

On July 20, 2023, Ms. Zhang Qiuping was nominated as a non-executive Director at the 2023 sixth meeting of the Board. Her term of office will take effect from the date of approval at the general meeting and approval of her qualification by the NAFR.

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

Except for the above changes, the information regarding the appointments of Directors is consistent with the information disclosed in the 2022 annual report and the announcements dated January 16, 2023, July 20, 2023 and August 25, 2023 of the Company, and there is no other change in the information which shall be disclosed pursuant to Rule 13.51B(1) of the Hong Kong Listing Rules.

Supervisors

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

Except for the above changes, the information regarding the appointments of Supervisors is consistent with the information disclosed in the 2022 annual report of the Company, and there is no other change on the information which shall be disclosed pursuant to Rule 13.51B(1) of the Hong Kong Listing Rules.

Senior Management

The information regarding the appointments of Senior Management is consistent with the information disclosed in the 2022 annual report of the Company.

6 SIGNIFICANT EVENTS

6.1 Corporate Governance

In strict accordance with the Company Law of the People's Republic of China, the Corporate Governance Standards for Banking and Insurance Institutions, the Hong Kong Listing Rules, other laws and regulations, regulatory documents and the Articles, the Company continued to optimize its corporate governance mechanism, strengthened the construction of governance capacity, actively promoted the organic integration of strengthening the Party's leadership and improving corporate governance, continuously improved the risk management system and mechanism, enhanced the effectiveness of risk management and compliance management level, gave full play to the role of internal audit, effectively implemented internal control assessment, promoted the modernization and professionalization of corporate governance, and boosted the Company's operational capability and efficiency. The Company will actively fulfill its social responsibilities so as to create the favorable internal and external conditions for the sustainable and high-quality development.

During the Reporting Period, the Company attached great importance to information disclosure, continuously enhanced the quality and efficiency, strictly followed the principles of truthfulness, accuracy, completeness, timeliness and fairness, and effectively protected information rights of investors. The Company strengthened its communication with the market, earnestly received research and consultation from investors, conveyed corporate value and maintained a good market image of the Company.

General Meeting

During the Reporting Period, the Company held the 2022 annual general meeting in Beijing on June 20, 2023, at which ten resolutions were considered and approved, including the work report of the Board for 2022, the report of the Board of Supervisors for 2022, the remuneration settlement scheme for Directors for 2021, the remuneration settlement scheme for Supervisors for 2021, 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 external donation plan for 2023 and the capital increase in Cinda Investment. The external donation plan for 2023 and the capital increase in Cinda Investment were special resolutions. The work report of the independent non-executive Directors for 2022, the 2022 annual evaluation report of major shareholders and the report on the management of related party transactions of the Group for 2022 were also reviewed at the annual general meeting.

The Company held the 2023 first extraordinary general meeting in Beijing on February 8, 2023, at which two resolutions were considered and approved, including the election of Mr. Zeng Tianming as a non-executive Director and the election of Ms. Shi Cuijun as an independent non-executive Director.

The convening and holding of the general meetings was in strict compliance with applicable laws and regulations and the Hong Kong Listing Rules. The Directors, Supervisors and Senior Management members attended relevant meetings. For details of the time, venue, attendance, major issues and voting results of the previous general meetings held during the Reporting Period, please refer to announcements regarding the poll results of the previous general meetings disclosed by the Company.

Board

As of the date of this report, the Board comprised 12 members, including three executive Directors, four non-executive Directors and five independent non-executive Directors. The independent non-executive Directors accounted for more than one-third of the total number of the Board members.

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 members. 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-comply 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. Since March 26, 2023, the Company has satisfied the requirements of Rule 3.10A of the Hong Kong Listing Rules.

During the Reporting Period, the Board held a total of five meetings, at which 33 resolutions were considered and approved, including the final financial account plan for 2022, the profit distribution plan for 2022, the 2022 annual report (2022 annual results announcement), the risk management report for 2022, the internal control evaluation report for 2022, the social responsibility (ESG) report for 2022, the comprehensive business plan of the Group for 2023, the budget of investment in capital expenditure for 2023, the appointment of accounting firms for 2023, the risk appetite statement of the Group (2023), and the risk management policy of the Group for 2023.

During the Reporting Period, the Board focused on in-depth study, publicity and implementation of the guiding principles of the 20th CPC National Congress, continued to promote the tasks of the inspection and rectification, focused on the main responsibilities and businesses, promoted business transformation and upgrading, consolidated the foundation of development, enhanced core competitiveness, actively explored the mode of governance in line with the characteristics of its own development, and achieved new results in the areas of steady growth, accelerated transformation, and stringent control of risks, which further consolidated the foundation of the Company's high-quality development.

Board of Supervisors

As of the date of this report, the Board of Supervisors comprised seven members, including three external Supervisors and four employee Supervisors.

The Board of Supervisors duly performed its supervision duties and diligently considered relevant proposals. During the Reporting Period, the Board of Supervisors held two meetings, at which nine resolutions were considered and approved, including 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 due diligence of Directors, Supervisors and Senior Management for 2022, the report of the Board of Supervisors for 2022, the 2022 annual report (2022 annual results announcement), the focus of due diligence supervision of the Directors, Supervisors and Senior Management for 2023, and the remuneration settlement scheme for Supervisors for 2021.

During the Reporting Period, in response to the regulatory requirements and the new situation faced by the Company's development, the Board of Supervisors earnestly implemented the guiding principles of the 20th CPC National Congress, centered on the Company's central work and supervision focus, and paid attention to the application of the results of inspection and rectification. The Board of Supervisors earnestly performed its duties of supervision, vigorously carried out investigation and research, and conducted research and put forward opinions and suggestions on the Company's post-investment project management, the development and financial operation of subsidiaries, and the exploration of the transformation of smaller-sized branches. The Board of Supervisors studied and continuously strengthened the implementation the deployment of the central government to strengthen financial and accounting supervision. The Board of Supervisors conducted inspections on the special concerned existing projects of certain branches, and concentrated on the implementation of regulatory opinions, the quality of assets, internal risk control, etc. so as to practically exert the role of supervision.

Senior Management

During the Reporting Period, the Senior Management organized and implemented operation and management of the Company under the Articles and authorizations of the Board. In accordance with the development strategies and operation plans determined by the Board, the Senior Management consolidated the core business of distressed assets management, promoted the business transformation and asset structure optimization, enhanced risk management and strengthened the Group synergy to better accomplish various tasks, resulting in good operation management results.

Corporate Governance Code

During the Reporting Period, save as the aforementioned non-compliance with Rule 3.10A of the Hong Kong Listing Rules, the Company has fully complied with the code provisions of the Corporate Governance Code (Appendix 14 to the Hong Kong Listing Rules) and most of the recommended best practice therein.

6.2 Information of Risk Management

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

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

6.3 Internal Control

In the first half of 2023, the Company continued to consolidate the foundation of internal control by improving the full cycle management of the system. The Company organized the system re-inspection within the whole system, formulated the Company's system construction and system publicity plan according to regulatory requirements and management priorities, and well performed in system formulation, revision, repeal and interpretation; deeply analysed and summarized the experience of system construction to improve the integrity and systematization of internal control; the Company organized and carried out system publicity, opened up the "last kilometre" of system implementation, and strengthened the transmission and implementation of the system.

The Company continued to deepen the inspection and rectification, implemented regulatory requirements, and revised the Measures for Accountability of Non-compliance in Business Operation and Management based on the practice of the industry and the actual situation of the Company. The Company organized its subsidiaries to revise their respective accountability systems with reference to further improve the systematization and operability of the accountability system and promote the normalization and standardization of accountability work; The Company continued to strengthen the awareness of risk and compliance responsibilities of each unit of the Company, organized and carried out accountability for major risk projects in violation of regulations, gave play to the deterrent effect of internal accountability, and promoted the steady development of the Company's business.

6.4 Internal Audit

The Company has implemented the internal audit system and the headquarters has set up an audit department with full-time auditors to conduct independent and objective supervision, inspection and evaluation of its business operation, risk exposures, revenue and expenditure and internal control. Such designated auditors are also responsible for reporting the material deficiencies found in the audit to the Board or the Audit Committee as well as the Board of Supervisors.

In the first half of 2023, the Company carried out internal audit work in an orderly manner in accordance with the annual internal audit work plan. Focusing on the strategic development goals, the Company gave full play to the audit and supervision function, and organized regular audits of certain branches; implemented regulatory requirements, and organized special audits such as write-offs of doubtful debts; strengthened the supervision of the performance of cadres, and completed the audit of the departure and economic responsibility of certain middle and senior management of the Company; carried out the internal control evaluation of the Company for 2022, completed the internal control evaluation report, and continuously tracked the problems found in the internal control evaluation and internal control audit in recent years and their rectification; steadily promoted the implementation of the internal audit development plan, explored the establishment of a centralized internal audit supervision system, improved the internal audit system, supervised and promoted the implementation of audit rectification, strengthened the application of audit results, and upgraded the internal audit information system; actively organized training, strengthened the construction of the internal audit team, strengthened collaborative supervision, and continuously improved the quality and efficiency of internal audit.

6.5 Profit and Dividend Distribution

The Company formulated and implemented the cash dividend policy in line with the requirements of the Articles and resolutions of the general meeting. The cash dividend policy has a clear distribution standard and proportion with proper decision-making procedures and mechanisms and was considered and approved by the independent non-executive Directors. Minority shareholders can fully express opinions and suggestions to protect their legitimate interests.

Upon the approval of the 2022 annual general meeting held on June 20, 2023, the cash dividends for 2022 would be distributed by the Company to all holders of ordinary shares at RMB0.4963 (tax inclusive) per 10 shares, representing total cash dividends of approximately RMB1.894 billion. On August 18, 2023, the Company distributed cash dividends of RMB0.4963 per 10 shares (tax inclusive) to all holders of ordinary shares whose names appear on the register of members on July 3, 2023. No interim dividends will be declared for 2023 and no capital reserves will be converted to the share capital of the Company.

Details of the Company's dividend on 2021 Offshore Preference Shares are set out in the section headed "Changes in Share Capital and Information on Substantial Shareholders" – "Preference Shares" in this report.

6.6 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.

6.7 Material Litigation and Arbitration

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

6.8 Major Acquisition and Disposal of Assets and Merger

On January 20, 2023, Cinda Securities completed its initial public offering of a total of 324,300,000 RMB ordinary shares, representing 10% of the total number of shares after the offering. The offer price of Cinda Securities was 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, save as disclosed above, the Company did not enter into any material acquisition, disposal of assets or merger of absorption.

6.9 Implementation of Share Incentive Plan

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

6.10 Material Custody, Contracting and Leasing

During the Reporting Period, the Company did not enter into any material 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.

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

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

6.12 Purchase, Sale and Redemption of Listed Securities

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

6.13 Securities Transactions by Directors, Supervisors and Senior Management

The Company has formulated the code regarding the securities transactions by Directors, Supervisors and Senior Management, which is no less lenient than the Model Code for Securities Transactions by Directors of Listed Issuers in Appendix 10 to the Hong Kong Listing Rules, to regulate such behaviors. The Company has made enquiries to all Directors and Supervisors who confirmed that they had complied with such code and the requirements set out therein during the Reporting Period.

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

As at June 30, 2023, none of the Directors, Supervisors or chief executive officer had any interests or short positions in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the Hong Kong SFO) as recorded in the register kept by the Company pursuant to Section 352 of the Hong Kong SFO or as otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers in Appendix 10 to the Hong Kong Listing Rules.

6.15 Review of Interim Report

The Interim Condensed Consolidated Financial Statements for 2023 prepared by the Company according to IFRS have been reviewed by PricewaterhouseCoopers in accordance with International Standards on Review Engagements.

This report has been considered and approved by the Board and the Audit Committee.

6.16 Statement for Changes of Auditors in the Preceding Three Years

According to the relevant requirements of the Notice on Printing and Distributing the Administrative Measures for the Appointment of Accounting Firms by State-owned Financial Enterprises (Caijin [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 term of service of Ernst & Young Hua Ming LLP and Ernst & Young, the former accountants of the Company, has reached the period prescribed by the above regulations.

As considered and approved at the 2023 fifth meeting of the Board and the 2022 annual general meeting, the Company engaged PricewaterhouseCoopers Zhong Tian LLP and PricewaterhouseCoopers as the domestic and international auditors for 2023, to undertake the audit of the annual financial statements, review of the interim financial statements, audit of internal control and other relevant services of the Company for 2023.

7 REVIEW REPORT AND INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2023

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REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

TO THE BOARD OF DIRECTORS OF CHINA CINDA ASSET MANAGEMENT CO., LTD.

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

INTRODUCTION

We have reviewed the interim financial information set out on pages 76 to 174, which comprises the interim condensed consolidated statement of financial position of China Cinda Asset Management Co., Ltd. (the “Company”) and its subsidiaries (together, the “Group”) as at 30 June 2023 and the interim condensed consolidated statement of profit or loss, the interim condensed consolidated statement of comprehensive income, the interim condensed consolidated statement of changes in equity and the interim condensed consolidated statement of cash flows for the six-month period then ended, and selected explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 “Interim Financial Reporting”. The directors of the Company are responsible for the preparation and fair presentation of these interim financial statements in accordance with International Accounting Standard 34 “Interim Financial Reporting”. Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with International Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity”. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information of the Group is not prepared, in all material respects, in accordance with International Accounting Standard 34 “Interim Financial Reporting”.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 29 August 2023

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE SIX MONTHS ENDED 30 JUNE 2023

(Amounts in thousands of RMB, unless otherwise stated)

| | | For the six months ended 30 June | |
|--|-----------------|---|---------------------|
| | <i>Notes IV</i> | 2023 | 2022 |
| | | (Unaudited) | (Unaudited) |
| Income from distressed debt assets at amortized cost | <i>1</i> | 3,912,085 | 5,549,728 |
| Fair value changes on distressed debt assets | <i>2</i> | 2,836,255 | 6,223,338 |
| Fair value changes on other financial instruments | <i>3</i> | 4,905,995 | 4,697,801 |
| Investment income | <i>4</i> | 258,880 | 156,485 |
| Interest income | <i>5</i> | 16,120,222 | 12,139,538 |
| Revenue from sales of inventories | <i>6</i> | 2,132,809 | 7,039,007 |
| Commission and fee income | <i>7</i> | 2,649,612 | 2,451,690 |
| Net gains on disposal of subsidiaries, associates and joint ventures | <i>8</i> | 296,918 | 1,246,530 |
| Other income and other net gains or losses | <i>9</i> | 1,184,928 | 1,754,126 |
| Total | | <u>34,297,704</u> | <u>41,258,243</u> |
| Interest expense | <i>10</i> | (21,558,415) | (19,852,674) |
| Employee benefits | | (3,045,559) | (2,692,995) |
| Purchases and changes in inventories | <i>6</i> | (1,812,677) | (5,914,865) |
| Commission and fee expense | | (413,091) | (303,038) |
| Taxes and surcharges | | (232,557) | (300,610) |
| Depreciation and amortization expenses | | (964,053) | (1,005,291) |
| Other expenses | | (1,482,760) | (1,638,732) |
| Credit impairment losses | <i>11</i> | (3,108,033) | (5,761,175) |
| Impairment losses on other assets | <i>12</i> | (3,607) | (115,455) |
| Total | | <u>(32,620,752)</u> | <u>(37,584,835)</u> |

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS (Continued)*FOR THE SIX MONTHS ENDED 30 JUNE 2023*

(Amounts in thousands of RMB, unless otherwise stated)

| | | For the six months ended 30 June | |
|--|-----------------|---|--------------------|
| | <i>Notes IV</i> | 2023 | 2022 |
| | | (Unaudited) | (Unaudited) |
| Change in net assets attributable to other holders of consolidated structured entities | | <u>(51,347)</u> | <u>(9,017)</u> |
| Profit before share of results of associates and joint ventures and tax | | 1,625,605 | 3,664,391 |
| Share of results of associates and joint ventures | | <u>3,723,897</u> | <u>3,368,045</u> |
| Profit before tax | | 5,349,502 | 7,032,436 |
| Income tax expense | <i>13</i> | <u>(828,906)</u> | <u>(2,051,987)</u> |
| Profit for the period | | <u>4,520,596</u> | <u>4,980,449</u> |
| Profit attributable to: | | | |
| Equity holders of the Company | | 4,067,628 | 4,508,199 |
| Non-controlling interests | | <u>452,968</u> | <u>472,250</u> |
| | | <u>4,520,596</u> | <u>4,980,449</u> |
| Earnings per share attributable to ordinary equity holders of the Company (Expressed in RMB Yuan per share) | | | |
| – Basic | <i>14</i> | 0.09 | 0.12 |
| – Diluted | | <u>0.09</u> | <u>0.12</u> |

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30 JUNE 2023

(Amounts in thousands of RMB, unless otherwise stated)

| | For the six months ended 30 June | |
|--|---|--------------------|
| | 2023 | 2022 |
| | (Unaudited) | (Unaudited) |
| Profit for the period | <u>4,520,596</u> | <u>4,980,449</u> |
| Other comprehensive income | | |
| Items that may be reclassified subsequently to profit or loss: | | |
| Fair value changes on debt instruments at fair value through other comprehensive income | | |
| Fair value changes arising during the period | 364,535 | (1,109,061) |
| Amounts reclassified to profit or loss upon disposal | (79,972) | (159,556) |
| Amounts of profit or loss upon impairment | <u>(205,132)</u> | <u>125,105</u> |
| | <u>79,431</u> | <u>(1,143,512)</u> |
| Exchange differences arising on translation of foreign operations | <u>279,617</u> | <u>629,007</u> |
| Share of other comprehensive income of associates and joint ventures | <u>62,665</u> | <u>(16,480)</u> |
| Subtotal | <u>421,713</u> | <u>(530,985)</u> |
| Items that will not be reclassified subsequently to profit or loss: | | |
| Fair value changes on equity instruments designated as at fair value through other comprehensive income | <u>810,809</u> | <u>(2,517,822)</u> |
| Subtotal | <u>810,809</u> | <u>(2,517,822)</u> |
| Other comprehensive income for the period, net of income tax | <u>1,232,522</u> | <u>(3,048,807)</u> |
| Total comprehensive income for the period | <u>5,753,118</u> | <u>1,931,642</u> |
| Total comprehensive income attributable to: | | |
| Equity holders of the Company | <u>5,206,346</u> | 1,449,643 |
| Non-controlling interests | <u>546,772</u> | 481,999 |
| | <u>5,753,118</u> | <u>1,931,642</u> |

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2023

(Amounts in thousands of RMB, unless otherwise stated)

| | <i>Notes IV</i> | As at 30 June 2023 (Unaudited) | As at 31 December 2022 (Audited) |
|---|-----------------|---|---|
| Assets | | | |
| Cash and balances with central banks | 16 | 14,226,386 | 16,677,376 |
| Deposits with banks and financial institutions | 17 | 107,256,717 | 97,830,088 |
| Deposits with exchanges and others | | 2,356,162 | 2,334,962 |
| Placements with banks and financial institutions | 18 | 13,257,806 | 34,424,999 |
| Financial assets at fair value through profit or loss | 19 | 514,000,970 | 503,495,905 |
| Financial assets held under resale agreements | 20 | 3,030,913 | 30,075,367 |
| Financial assets at fair value through other comprehensive income | 21 | 146,231,214 | 130,487,681 |
| Loans and advances to customers | 22 | 407,505,793 | 396,529,988 |
| Financial assets at amortized cost | 23 | 147,625,656 | 169,994,310 |
| Accounts receivable | 24 | 4,388,871 | 4,803,330 |
| Properties held for sale | 25 | 47,863,102 | 47,875,190 |
| Investment properties | 26 | 9,248,642 | 9,257,660 |
| Interests in associates and joint ventures | 28 | 91,109,832 | 87,542,234 |
| Property and equipment | 30 | 13,596,279 | 13,766,345 |
| Goodwill | 31 | 24,120,493 | 23,378,287 |
| Other intangible assets | | 3,937,179 | 3,944,687 |
| Deferred tax assets | 32 | 11,235,454 | 11,190,829 |
| Other assets | 33 | 33,017,806 | 32,379,737 |
| | | <u>1,594,009,275</u> | <u>1,615,988,975</u> |
| Total assets | | <u>1,594,009,275</u> | <u>1,615,988,975</u> |

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
(Continued)

AS AT 30 JUNE 2023

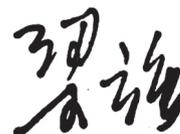
(Amounts in thousands of RMB, unless otherwise stated)

| | <i>Notes IV</i> | As at 30 June 2023 (Unaudited) | As at 31 December 2022 (Audited) |
|--|-----------------|---|---|
| Liabilities | | | |
| Borrowings from the central bank | 34 | 986,058 | 986,058 |
| Accounts payable to brokerage clients | | 19,990,528 | 19,107,213 |
| Financial liabilities at fair value through profit or loss | 35 | 9,588,831 | 10,684,889 |
| Financial assets sold under repurchase agreements | 36 | 41,002,281 | 43,425,645 |
| Placements from banks and financial institutions | 37 | 22,636,009 | 20,478,050 |
| Borrowings | 38 | 586,359,824 | 615,357,924 |
| Due to customers | 39 | 320,222,551 | 323,040,529 |
| Deposits from banks and financial institutions | 40 | 13,195,281 | 12,848,839 |
| Accounts payable | 41 | 4,631,013 | 4,946,903 |
| Tax payable | | 3,893,521 | 4,200,813 |
| Bonds issued | 42 | 288,937,705 | 292,882,792 |
| Contract liabilities | 43 | 9,490,358 | 7,525,641 |
| Deferred tax liabilities | 32 | 1,802,445 | 1,943,766 |
| Other liabilities | 44 | 55,315,509 | 50,564,791 |
| | | <u>1,378,051,914</u> | <u>1,407,993,853</u> |
| Total liabilities | | | |
| Equity | | | |
| Share capital | 45 | 38,164,535 | 38,164,535 |
| Other equity instruments | 46 | 32,748,001 | 32,748,001 |
| Capital reserve | 47 | 20,825,006 | 19,481,312 |
| Other comprehensive income | 48 | (3,436,835) | (4,543,285) |
| Surplus reserve | | 10,756,092 | 10,756,092 |
| General reserve | 49 | 17,153,012 | 16,859,366 |
| Retained earnings | | 76,132,265 | 74,739,721 |
| | | <u>192,342,076</u> | <u>188,205,742</u> |
| Equity attributable to equity holders of the Company | | <u>23,615,285</u> | <u>19,789,380</u> |
| Non-controlling interests | | | |
| | | <u>215,957,361</u> | <u>207,995,122</u> |
| Total equity | | <u>215,957,361</u> | <u>207,995,122</u> |
| Total equity and liabilities | | <u><u>1,594,009,275</u></u> | <u><u>1,615,988,975</u></u> |

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



CHAIRMAN



PRESIDENT

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 30 JUNE 2023

(Amounts in thousands of RMB, unless otherwise stated)

| | (Unaudited) | | | | | | | Non-controlling interests | Total | |
|--|--|--|---------------------------------|--|-----------------|---------------------------------|-------------------|---------------------------|------------|-------------|
| | Equity attributable to equity holders of the Company | | | | | | | | | |
| | Share capital (Note IV.45) | Other equity instruments (Note IV.46) | Capital reserve (Note IV.47) | Other comprehensive income (Note IV.48) | Surplus reserve | General reserve (Note IV.49) | Retained earnings | Subtotal | | |
| As at 1 January 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 period | - | - | - | - | - | - | 4,067,628 | 4,067,628 | 452,968 | 4,520,596 |
| Other comprehensive income for the period | - | - | - | 1,138,718 | - | - | - | 1,138,718 | 93,804 | 1,232,522 |
| Total comprehensive income for the period | - | - | - | 1,138,718 | - | - | 4,067,628 | 5,206,346 | 546,772 | 5,753,118 |
| Capital contribution from non-controlling interests of subsidiaries | - | - | 851,049 | - | - | - | - | 851,049 | 1,761,048 | 2,612,097 |
| Acquisition of additional interests in subsidiaries | - | - | (27,752) | - | - | - | - | (27,752) | (76,069) | (103,821) |
| Issuance of capital securities | - | - | - | - | - | - | - | - | 2,020,197 | 2,020,197 |
| Appropriation to general reserve | - | - | - | - | - | 293,646 | (293,646) | - | - | - |
| Dividends recognized as distribution (Note IV.14, Note IV.15) | - | - | - | - | - | - | (2,413,706) | (2,413,706) | - | (2,413,706) |
| Dividends paid to non-controlling interests | - | - | - | - | - | - | - | - | (273,133) | (273,133) |
| Dividends paid to capital securities | - | - | - | - | - | - | - | - | (152,910) | (152,910) |
| Share of associates' equity changes other than comprehensive income and distribution | - | - | 520,397 | - | - | - | - | 520,397 | - | 520,397 |
| Other comprehensive income carried forward to retained earnings | - | - | - | (32,268) | - | - | 32,268 | - | - | - |
| As at 30 June 2023 | 38,164,535 | 32,748,001 | 20,825,006 | (3,436,835) | 10,756,092 | 17,153,012 | 76,132,265 | 192,342,076 | 23,615,295 | 215,957,361 |

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (Continued)
FOR THE SIX MONTHS ENDED 30 JUNE 2023
(Amounts in thousands of RMB, unless otherwise stated)

| | (Unaudited) | | | | | | | Non-controlling interests | Total | |
|--|--|--|---------------------------------|--|-----------------|---------------------------------|-------------------|---------------------------|-------------|-------------|
| | Equity attributable to equity holders of the Company | | | | | | | | | |
| | Share capital (Note IV.45) | Other equity instruments (Note IV.46) | Capital reserve (Note IV.47) | Other comprehensive income (Note IV.48) | Surplus reserve | General reserve (Note IV.49) | Retained earnings | Subtotal | | |
| 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 period | - | - | - | - | - | - | 4,508,199 | 4,508,199 | 472,250 | 4,980,449 |
| Other comprehensive income for the period | - | - | - | (3,058,556) | - | - | - | (3,058,556) | 9,749 | (3,048,807) |
| Total comprehensive income for the period | - | - | - | (3,058,556) | - | - | 4,508,199 | 1,449,643 | 481,999 | 1,931,642 |
| Issuance of other equity instruments | - | 11,952,342 | - | - | - | - | - | 11,952,342 | - | 11,952,342 |
| Capital contribution from non-controlling interests of subsidiaries | - | - | - | - | - | - | - | - | 55,700 | 55,700 |
| Issuance of capital securities | - | - | - | - | - | - | - | - | 4,288,875 | 4,288,875 |
| Redemption of capital securities | - | - | (84,702) | - | - | - | - | (84,702) | (8,216,193) | (8,300,895) |
| Disposal of subsidiaries | - | - | - | - | - | - | - | - | (2,933) | (2,933) |
| Amounts reversed from the general reserve | - | - | - | - | - | (212,289) | 212,289 | - | - | - |
| Dividends recognized as distribution | - | - | - | - | - | - | (3,618,380) | (3,618,380) | - | (3,618,380) |
| Dividends paid to non-controlling interests | - | - | - | - | - | - | - | - | (6,289) | (6,289) |
| Dividends paid to capital securities | - | - | - | - | - | - | - | - | (195,593) | (195,593) |
| Share of associates' equity changes other than comprehensive income and distribution | - | - | (6,020) | - | - | - | - | (6,020) | - | (6,020) |
| As at 30 June 2022 | 38,164,535 | 32,747,942 | 20,451,019 | (4,430,734) | 10,114,703 | 16,853,332 | 74,592,897 | 188,493,694 | 19,380,235 | 207,873,929 |

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS*FOR THE SIX MONTHS ENDED 30 JUNE 2023*

(Amounts in thousands of RMB, unless otherwise stated)

| | For the six months ended 30 June | |
|--|---|--------------|
| | 2023 | 2022 |
| | (Unaudited) | (Unaudited) |
| OPERATING ACTIVITIES | | |
| Profit before tax | 5,349,502 | 7,032,436 |
| Adjustments for: | | |
| Impairment losses on other assets | 3,607 | 115,455 |
| Credit impairment losses | 3,108,033 | 5,761,175 |
| Depreciation of property and equipment, investment properties and right-of-use assets | 747,558 | 980,813 |
| Amortization of intangible assets and other long-term assets | 216,495 | 24,478 |
| Share of results of associates and joint ventures | (3,723,897) | (3,368,045) |
| Net gains or losses on disposal of property and equipment, investment properties and other intangible assets | 23,247 | (20,084) |
| Net gains on disposal of subsidiaries, associates and joint ventures | (296,918) | (1,246,530) |
| Fair value changes on financial assets | (4,425,593) | (2,274,013) |
| Investment income | (183,033) | (152,736) |
| Interest income | (2,642,308) | (4,116,060) |
| Borrowing costs | 9,706,441 | 6,452,133 |
| | <hr/> | <hr/> |
| Operating cash flows before movements in working capital | 7,883,134 | 9,189,022 |
| Increase in balances with central banks and deposits with banks and financial institutions | (895,971) | (6,095,930) |
| Decrease/(increase) in financial assets at fair value through profit or loss | 22,310,950 | (4,260,772) |
| Decrease/(increase) in placements with banks and financial institutions | 2,985,933 | (10,301,225) |
| Decrease in financial assets held under resale agreements | 2,637,953 | 1,244,420 |
| Decrease/(increase) in financial assets at amortized cost | 17,572,391 | (7,730,017) |
| Increase in loans and advances to customers | (13,461,080) | (18,122,617) |
| Decrease/(increase) in accounts receivable | 439,204 | (1,111,827) |
| (Increase)/decrease in properties held for sale | (515,161) | 8,371,252 |
| (Decrease)/increase in due to customers and deposits from banks and financial institutions | (2,471,536) | 4,052,229 |
| Increase in accounts payable to brokerage clients | 883,315 | 2,614,445 |
| (Decrease)/increase in financial assets sold under repurchase agreements | (2,404,645) | 14,184,587 |
| Decrease in borrowings | (43,472,985) | (2,966,477) |
| Decrease in accounts payable | (315,890) | (726,940) |
| Decrease in contract liabilities | (2,188,136) | (1,851,067) |
| Increase in other operating assets | (3,251,869) | (5,464,658) |
| Increase/(decrease) in other operating liabilities | 14,588,747 | (3,733,611) |
| | <hr/> | <hr/> |
| Cash inflow/(outflow) from operations | 324,354 | (22,709,186) |
| Income taxes paid | (1,433,702) | (94,638) |
| | <hr/> | <hr/> |
| NET CASH OUTFLOW FROM OPERATING ACTIVITIES | (1,109,348) | (22,803,824) |

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)*FOR THE SIX MONTHS ENDED 30 JUNE 2023*

(Amounts in thousands of RMB, unless otherwise stated)

| | For the six months ended 30 June | |
|--|---|--------------|
| | 2023 | 2022 |
| | (Unaudited) | (Unaudited) |
| INVESTING ACTIVITIES | | |
| Cash receipts from disposals and recovery of investment securities | 96,159,751 | 62,987,084 |
| Dividends received from investment securities | 7,040,742 | 5,785,645 |
| Dividends received from associates and joint ventures | 1,021,739 | 1,138,400 |
| Interest received from investment securities | 2,294,566 | 1,166,606 |
| Cash receipts from disposals of property and equipment, investment properties and other intangible assets | 165,808 | 97,000 |
| Net cash outflows from disposals of subsidiaries | – | (297,317) |
| Net cash flows from disposals of associates and joint ventures | 3,631,687 | 2,489,567 |
| Cash payments to acquire investment securities | (145,655,955) | (61,049,045) |
| Net cash flows from consolidated structured entities | 1,631,446 | (855,831) |
| Cash payments for purchase of property and equipment, investment properties and other intangible assets | (341,106) | (1,065,880) |
| Cash payments for establishment and acquisition of interests in associates and joint ventures | (1,612,040) | (3,078,566) |
| NET CASH (OUTFLOW)/INFLOW FROM INVESTING ACTIVITIES | (35,663,362) | 7,317,663 |
| FINANCING ACTIVITIES | | |
| Proceeds from issuance of other equity instruments | – | 11,952,342 |
| Proceeds from issuance of capital securities | 2,020,197 | 4,288,875 |
| Capital contribution from non-controlling interests of subsidiaries of the Company | 851,049 | 55,700 |
| Cash receipts from borrowings raised | 30,368,221 | 14,769,277 |
| Cash receipts from bonds issued | 51,305,956 | 28,911,519 |
| Cash payment to acquire additional interests in subsidiaries | (76,069) | – |
| Cash repayments of borrowings | (18,564,763) | (18,943,909) |
| Cash repayments of bonds | (60,374,404) | (73,556,451) |
| Interest expenses on borrowings and bonds | (7,881,528) | (8,685,100) |
| Redemption of capital securities issued | (27,752) | (8,300,895) |
| Cash paid for dividend distribution | (519,600) | – |
| Dividends paid to non-controlling interests of subsidiaries and capital securities | (404,364) | (203,414) |
| Cash payments for other financing activities | (37,169) | 429,746 |
| NET CASH OUTFLOW FROM FINANCING ACTIVITIES | (3,340,226) | (49,282,310) |

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)*FOR THE SIX MONTHS ENDED 30 JUNE 2023*

(Amounts in thousands of RMB, unless otherwise stated)

| | <i>Notes IV</i> | For the six months ended 30 June | |
|---|-----------------|---|----------------------------|
| | | 2023 | 2022 |
| | | (Unaudited) | (Unaudited) |
| NET DECREASE IN CASH AND CASH EQUIVALENTS | | (40,112,936) | (64,768,471) |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD | | 145,411,977 | 173,326,056 |
| Effect of foreign exchange changes | | 3,651,372 | 5,399,486 |
| CASH AND CASH EQUIVALENTS AT END OF THE PERIOD | <i>50</i> | <u>108,950,413</u> | <u>113,957,071</u> |
| Net cash flows from operating activities include: | | | |
| Interest received | | 13,477,914 | 8,023,478 |
| Interest paid | | <u>(11,903,321)</u> | <u>(13,409,558)</u> |

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2023

(Amounts in thousands of RMB, unless otherwise stated)

I. GENERAL INFORMATION

China Cinda Asset Management Co., Ltd. (the “Company”) was transformed from China Cinda Asset Management Corporation (the “Former Cinda”), which was a wholly state-owned financial enterprise established in the People’s Republic of China (the “PRC”) by the Ministry of Finance (the “MOF”) on 19 April 1999 as approved by the State Council of the PRC (the “State Council”). On 29 June 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 30 June 2023, the MOF directly owned 58% of the share capital of the Company.

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

The Company was listed on the Stock Exchange of Hong Kong Limited on 12 December 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 AND ACCOUNTING POLICIES

1. Basis of preparation

The interim condensed consolidated financial statements have been prepared in accordance with International Accounting Standard 34 “Interim Financial Reporting” and the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange.

The interim condensed financial statements have been prepared on a going concern basis.

The interim condensed consolidated financial statements of the Group do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Group’s consolidated financial statements for the year ended 31 December 2022.

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

2. Accounting policies

Except as described below, the accounting policies and methods of computation used in the interim condensed consolidated financial statements for the six months ended 30 June 2023 are the same as those followed in the preparation of the Group’s consolidated financial statements for the year ended 31 December 2022.

3. Standards and amendments effective in 2023

In the current interim period, the Group has applied the following Standards and amendments that are effective for the Group’s annual period beginning on 1 January 2023.

| | |
|--|--|
| IFRS 17 and Amendments | Insurance Contracts |
| IAS 8 Amendments | Definition of Accounting Estimates |
| IAS 1 and IFRS Practice Statement 2 Amendments | Disclosure of Accounting Policies |
| 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 |

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

II. BASIS OF PREPARATION AND ACCOUNTING POLICIES (Continued)

4. Standards and amendments that are not yet effective in 2023

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

| | | Effective for annual periods beginning on or after |
|-------------------------------|---|---|
| IFRS 16 Amendments | Lease Liability in a Sale and Leaseback | 1 January 2024 |
| IAS 1 Amendments | Classification of Liabilities as Current or Non-current | 1 January 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 |

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

III. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION

The preparation of the interim condensed consolidated financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

The significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those applied to the consolidated financial statements for the year ended 31 December 2022.

IV. EXPLANATORY NOTES

1. Income from distressed debt assets at amortized cost

The amounts mainly represent interest income and gains or losses from disposal of distressed debt assets at amortized cost, which were acquired from financial institutions and non-financial institutions (see Note IV.23 Financial assets at amortized cost).

For the six months ended 30 June 2023, the net gain on the derecognition of distressed debt assets at amortized cost was RMB814 million (For the six months ended 30 June 2022: net gain RMB264 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 period (see Note IV.19 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.

IV. EXPLANATORY NOTES (Continued)

3. Fair value changes on other financial instruments

The amounts represent fair value changes on both financial assets at fair value through profit or loss (excluding distressed debt assets at fair value through profit or loss) and financial liabilities at fair value through profit or loss during the period (see Note IV.19 Financial assets at fair value through profit or loss and Note IV.35 Financial liabilities at fair value through profit or loss).

The fair value changes comprise realized gains and losses on disposal and unrealized fair value changes, from financial assets at fair value through profit or loss (excluding distressed debt assets at fair value through profit or loss), loans and advances to customers at fair value through profit or loss and financial liabilities at fair value through profit or loss. Any interest or dividend income arising from such instruments is included in fair value changes.

For the six months ended 30 June 2023 and 2022, the fair value changes on financial liabilities at fair value through profit or loss were insignificant.

| | For the six months ended 30 June | |
|---|-------------------------------------|-------------------------|
| | 2023 (Unaudited) | 2022 (Unaudited) |
| Financial instruments classified as at fair value through profit or loss | <u>4,905,995</u> | <u>4,697,801</u> |
| Total | <u><u>4,905,995</u></u> | <u><u>4,697,801</u></u> |

4. Investment income

| | For the six months ended 30 June | |
|--|-------------------------------------|-----------------------|
| | 2023 (Unaudited) | 2022 (Unaudited) |
| Net realized gains/(losses) on disposal of | | |
| – Financial assets at fair value through other comprehensive income | 230,620 | 159,556 |
| – Loans and advances to customers at amortized cost | 68,627 | 3,749 |
| – Financial assets at amortized cost | 7,220 | – |
| Dividend income from | | |
| – Financial assets at fair value through other comprehensive income | 1,651 | 951 |
| Others | <u>(49,238)</u> | <u>(7,771)</u> |
| Total | <u><u>258,880</u></u> | <u><u>156,485</u></u> |

IV. EXPLANATORY NOTES (Continued)

5. Interest income

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

| | For the six months ended 30 June | |
|--|---|------------------------|
| | 2023 | 2022 |
| | (Unaudited) | (Unaudited) |
| Loans and advances to customers | | |
| – Corporate and personal loans and advances | 8,239,891 | 5,758,409 |
| – Finance lease receivables | 1,908,386 | 1,863,927 |
| – Loans to margin clients | 289,384 | 308,056 |
| Other debt investments at amortized cost | 1,525,762 | 1,662,131 |
| Financial assets at fair value through other comprehensive income | 2,147,543 | 1,107,390 |
| Deposits with banks and financial institutions | 1,117,689 | 707,488 |
| Financial assets held under resale agreements | 252,625 | 484,741 |
| Placements with banks and financial institutions | 445,228 | 161,723 |
| Others | 193,714 | 85,673 |
| | <hr/> 16,120,222 <hr/> | <hr/> 12,139,538 <hr/> |
| Total | | |

6. Revenue from sales of inventories and purchases and changes in inventories

| | For the six months ended 30 June | |
|--|---|-----------------------|
| | 2023 | 2022 |
| | (Unaudited) | (Unaudited) |
| Revenue from sales of inventories | 2,132,809 | 7,039,007 |
| Purchases and changes in inventories | (1,812,677) | (5,914,865) |
| | <hr/> 320,132 <hr/> | <hr/> 1,113,241 <hr/> |
| Including: | | |
| Revenue from sales of properties held for sale | 2,132,809 | 7,022,605 |
| Purchases and changes in properties held for sale | (1,812,677) | (5,909,364) |
| | <hr/> 320,132 <hr/> | <hr/> 1,113,241 <hr/> |
| Gross profit from sales of properties held for sale | | |
| Revenue from other trading operations | – | 16,402 |
| Purchases and changes in inventories of other trading operations | – | (5,501) |
| | <hr/> – <hr/> | <hr/> 10,901 <hr/> |
| Gross profit from other trading operations | | |

IV. EXPLANATORY NOTES (Continued)

6. Revenue from sales of inventories and purchases and changes in inventories (Continued)

Timing of recognition of revenue from sales of properties held for sale

| | For the six months ended 30 June | |
|---------------------------------------|---|-------------|
| | 2023 | 2022 |
| | (Unaudited) | (Unaudited) |
| Revenue recognized at a point in time | | |
| Sales of properties held for sale | 2,132,809 | 7,022,605 |

The amounts of transaction prices allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at June 30 are as follows:

| | For the six months ended 30 June | |
|---|---|-------------|
| | 2023 | 2022 |
| | (Unaudited) | (Unaudited) |
| Amounts expected to be recognised as revenue: | | |
| Within one year | 5,191,731 | 8,681,158 |
| After one year | 800,984 | 2,850,072 |
| Total | 5,992,715 | 11,531,230 |

7. Commission and fee income

| | For the six months ended 30 June | |
|---|---|-------------|
| | 2023 | 2022 |
| | (Unaudited) | (Unaudited) |
| Fund and asset management business | 728,304 | 709,884 |
| Securities and futures brokerage | 538,638 | 638,574 |
| Banking business | 344,898 | 316,169 |
| Agency business | 333,156 | 233,604 |
| Trustee services | 227,843 | 298,030 |
| Consultancy and financial advisory services | 211,660 | 119,357 |
| Insurance brokerage services | 198,568 | 74,872 |
| Securities underwriting | 18,914 | 49,215 |
| Others | 47,631 | 11,985 |
| Total | 2,649,612 | 2,451,690 |

IV. EXPLANATORY NOTES (Continued)

8. Net gains on disposal of subsidiaries, associates and joint ventures

| | For the six months ended 30 June | |
|--|-------------------------------------|-------------------------|
| | 2023 (Unaudited) | 2022 (Unaudited) |
| Net gains/(losses) on disposal of subsidiaries | – | 464,774 |
| Net gains on disposal of associates and joint ventures | 296,918 | 781,756 |
| Total | <u>296,918</u> | <u>1,246,530</u> |

9. Other income and other net gains or losses

| | For the six months ended 30 June | |
|---|-------------------------------------|-------------------------|
| | 2023 (Unaudited) | 2022 (Unaudited) |
| Net gains on exchange differences | 432,029 | 839,086 |
| Rental income | 330,708 | 405,413 |
| Revenue from property management business | 254,552 | 186,241 |
| Revenue from hotel operation | 160,685 | 149,488 |
| Income from liquidated damages | 21,162 | 104,830 |
| Government grants and compensation | 53,329 | 91,553 |
| Net gains or losses on disposal of other assets | (20,075) | 20,084 |
| Others | (47,462) | (42,569) |
| Total | <u>1,184,928</u> | <u>1,754,126</u> |

10. Interest expense

| | For the six months ended 30 June | |
|--|-------------------------------------|----------------------------|
| | 2023 (Unaudited) | 2022 (Unaudited) |
| Borrowings | (10,478,726) | (11,225,373) |
| Bonds issued | (5,879,558) | (6,392,450) |
| Due to customers | (3,916,537) | (1,716,870) |
| Financial assets sold under repurchase agreements | (692,044) | (173,583) |
| Deposits from banks and financial institutions | (225,790) | (159,693) |
| Placements from banks and other financial institutions | (223,967) | (115,260) |
| Accounts payable to brokerage clients | (57,457) | (41,703) |
| Lease liabilities | (17,561) | (21,538) |
| Others | (66,775) | (6,204) |
| Total | <u>(21,558,415)</u> | <u>(19,852,674)</u> |

IV. EXPLANATORY NOTES (Continued)

11. Credit impairment losses

| | For the six months ended 30 June | |
|---|-------------------------------------|-----------------------------|
| | 2023 (Unaudited) | 2022 (Unaudited) |
| Financial assets at amortized cost | | |
| – Distressed debt assets | (1,224,637) | (4,438,306) |
| – Other debt investments | (443,993) | (484,202) |
| Loans and advances to customers | (1,748,526) | (755,373) |
| Accounts receivable | (26,917) | (23,569) |
| Financial assets at fair value through other comprehensive income | 36,098 | (110,506) |
| Financial assets held under resale agreements | 51,025 | 11,687 |
| Other credit impairment losses | 248,917 | 39,094 |
| | <u> </u> | <u> </u> |
| Total | <u><u>(3,108,033)</u></u> | <u><u>(5,761,175)</u></u> |

12. Impairment losses on other assets

| | For the six months ended 30 June | |
|------------------------------------|-------------------------------------|-----------------------------|
| | 2023 (Unaudited) | 2022 (Unaudited) |
| Properties held for sales | – | (16,881) |
| Assets in satisfaction of debts | (4,620) | (98,574) |
| Other non-credit impairment losses | 1,013 | – |
| | <u> </u> | <u> </u> |
| Total | <u><u>(3,607)</u></u> | <u><u>(115,455)</u></u> |

IV. EXPLANATORY NOTES (Continued)

13. Income tax expense

| | For the six months ended 30 June | |
|----------------------------------|-------------------------------------|---------------------------|
| | 2023 (Unaudited) | 2022 (Unaudited) |
| Current income tax: | | |
| – PRC Enterprise Income Tax | (1,431,789) | (1,542,835) |
| – PRC Land Appreciation Tax | (8,458) | (225,418) |
| – Hong Kong Profits Tax | (213,722) | (184,827) |
| – Overseas taxation | 2,673 | (1,453) |
| Overprovision in prior years | <u>104,321</u> | <u>89,499</u> |
| Subtotal | <u>(1,546,975)</u> | <u>(1,865,034)</u> |
| Deferred income tax (Note IV.32) | <u>718,069</u> | <u>(186,953)</u> |
| Total | <u>(828,906)</u> | <u>(2,051,987)</u> |

The statutory income tax rate applicable to PRC enterprises was 25% for the period (for the six months ended 30 June 2022: 25%).

Hong Kong Profits Tax was calculated at 16.5% (for the six months ended 30 June 2022: 16.5%) of the estimated assessable profit for the period.

IV. EXPLANATORY NOTES (Continued)

14. Earnings per share attributable to common equity holders of the Company

The calculation of basic and diluted earnings per share is as follows:

| | For the six months ended 30 June | |
|---|-------------------------------------|---------------------|
| | 2023 (Unaudited) | 2022 (Unaudited) |
| Earnings: | | |
| Profit attributable to equity holders of the Company | 4,067,628 | 4,508,199 |
| Less: Dividends on Undated Capital Bonds declared | (519,600) | — |
| | <u>3,548,028</u> | <u>4,508,199</u> |
| Profit attributable to ordinary equity holders of the Company | | |
| | <u>3,548,028</u> | <u>4,508,199</u> |
| Number of shares: | | |
| Weighted average number of shares in issue for the purpose of basic earnings per share (in thousand) | <u>38,164,535</u> | <u>38,164,535</u> |
| Weighted average number of shares in issue for the purpose of diluted earnings per share (in thousand) | <u>38,164,535</u> | <u>38,164,535</u> |
| Basic earnings per share (RMB Yuan) | 0.09 | 0.12 |
| Diluted earnings per share (RMB Yuan) | <u>0.09</u> | <u>0.12</u> |

There were no potentially dilutive shares outstanding for the six months ended 30 June 2023 and 30 June 2022.

15. Dividends

| | For the six months ended 30 June | |
|--|-------------------------------------|---------------------|
| | 2023 (Unaudited) | 2022 (Unaudited) |
| Final dividends of 2022 | <u>1,894,106</u> | <u>—</u> |
| Final dividends of 2021 | <u>—</u> | <u>3,618,380</u> |
| Dividends recognized as distribution during the period | <u>1,894,106</u> | <u>3,618,380</u> |

A cash dividend of approximately RMB1,894.11 million in total for the year of 2022 was approved, after the required appropriations for the general reserve on the net profit of the Company for the year of 2022 as determined under China Accounting Standards, at the annual general meeting for 2022 held on 20 June 2023.

IV. EXPLANATORY NOTES (Continued)

16. Cash and balances with central banks

| | As at 30 June 2023 (Unaudited) | As at 31 December 2022 (Audited) |
|---|---|---|
| Cash | 588,507 | 527,836 |
| Mandatory reserve deposits with central banks (1) | 6,435,115 | 6,506,016 |
| Surplus reserve deposits with central banks | 4,942,429 | 3,985,369 |
| Other deposits with central banks | <u>2,260,335</u> | <u>5,658,155</u> |
| Total | <u><u>14,226,386</u></u> | <u><u>16,677,376</u></u> |
| Including: | | |
| Restricted | | |
| – Balances with central banks | <u><u>6,435,115</u></u> | <u><u>6,506,016</u></u> |

- (1) In accordance with relevant regulations, Nanyang Commercial Bank (China) Limited, a subsidiary of the banking 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 30 June 2023, the mandatory deposits were calculated at 7.25% of customer deposits denominated in RMB (31 December 2022: 7.5%) and 6% of customer deposits denominated in foreign currencies (31 December 2022: 6%). Mandatory reserve deposits are not available for use by the Group in its daily operations.

IV. EXPLANATORY NOTES (Continued)

17. Deposits with banks and financial institutions

| | As at 30 June 2023 (Unaudited) | As at 31 December 2022 (Audited) |
|--|---|---|
| Deposits with banks | | |
| – House accounts | 83,555,671 | 74,813,856 |
| – Cash held on behalf of clients | 16,943,763 | 15,854,251 |
| Clearing settlement funds | | |
| – House accounts | 390,955 | 367,965 |
| – Clients | 2,517,632 | 2,257,520 |
| Deposits with other financial institutions | | |
| – House accounts | <u>3,632,000</u> | <u>4,465,748</u> |
| Interest receivable | <u>216,822</u> | <u>70,781</u> |
| Subtotal | <u>107,256,843</u> | <u>97,830,121</u> |
| Less: Allowance for impairment losses | <u>(126)</u> | <u>(33)</u> |
| Total | <u><u>107,256,717</u></u> | <u><u>97,830,088</u></u> |
| Including: Restricted | <u><u>19,619,821</u></u> | <u><u>18,845,774</u></u> |

The Group's clearing settlement funds bear interest at prevailing market interest rates and mainly deposited in the China Securities Depository and Clearing Corporation Limited. As at 30 June 2023, the Group's restricted clearing settlement funds amounted to RMB2,517.63 million (31 December 2022: RMB2,257.52 million).

As at 30 June 2023 and 31 December 2022, the Group's Deposits with banks and financial institutions were all in Stage I.

IV. EXPLANATORY NOTES (Continued)

18. Placements with banks and financial institutions

| | As at 30 June 2023 (Unaudited) | As at 31 December 2022 (Audited) |
|---------------------------------------|---|---|
| Banks | 13,239,199 | 32,431,571 |
| Other financial institutions | — | 1,911,251 |
| | <hr/> | <hr/> |
| Interest receivable | 23,040 | 86,116 |
| | <hr/> | <hr/> |
| Subtotal | 13,262,239 | 34,428,938 |
| | <hr/> | <hr/> |
| Less: Allowance for impairment losses | (4,433) | (3,939) |
| | <hr/> | <hr/> |
| Total | 13,257,806 | 34,424,999 |
| | <hr/> <hr/> | <hr/> <hr/> |

As at 30 June 2023 and 31 December 2022, the Group's Placements with banks and financial institutions were all in Stage I.

IV. EXPLANATORY NOTES (Continued)

19. Financial assets at fair value through profit or loss

| | As at 30 June 2023 (Unaudited) | As at 31 December 2022 (Audited) |
|---|---|---|
| Financial assets classified as at fair value through profit or loss | | |
| Listed investments: | | |
| Equity investments | 13,843,128 | 16,777,486 |
| Debt securities | | |
| – Government bonds | 1,894,574 | 3,806,883 |
| – Financial institution bonds | 4,281,674 | 923,193 |
| – Corporate bonds | 16,380,167 | 17,939,938 |
| Funds | 2,158,732 | 3,098,537 |
| Corporate convertible bonds | 358,456 | 809,683 |
| | <hr/> | <hr/> |
| Subtotal | 38,916,731 | 43,355,720 |
| | <hr/> | <hr/> |
| Unlisted investments: | | |
| Distressed debt assets | 238,959,045 | 233,437,193 |
| Funds | 124,658,678 | 116,332,929 |
| Equity investments | 57,908,772 | 53,448,574 |
| Debt instruments | 15,168,068 | 16,264,284 |
| Trust products and asset management plans | 20,081,771 | 26,097,529 |
| Security investments | 13,927,645 | 10,517,454 |
| Derivative financial assets (1) | 1,954,187 | 1,887,923 |
| Wealth management products | 2,130,122 | 1,776,838 |
| Others | 295,951 | 377,461 |
| | <hr/> | <hr/> |
| Subtotal | 475,084,239 | 460,140,185 |
| | <hr/> | <hr/> |
| Total | 514,000,970 | 503,495,905 |
| | <hr/> <hr/> | <hr/> <hr/> |

IV. EXPLANATORY NOTES (Continued)

19. Financial assets at fair value through profit or loss (Continued)

(1) Derivative financial instruments

| | As at 30 June 2023 (Unaudited) | | | As at 31 December 2022 (Audited) | | |
|--|-----------------------------------|------------|-------------|-------------------------------------|------------|-------------|
| | Contractual/ Notional amount | Fair value | | Contractual/ Notional amount | Fair value | |
| | | Assets | Liabilities | | Assets | Liabilities |
| Exchange rate derivatives | | | | | | |
| Currency forwards and swaps, and cross-currency interest rate swaps | 65,007,742 | 995,270 | (585,824) | 88,059,712 | 1,051,608 | (694,998) |
| Currency options | 1,580,976 | 94,900 | (94,281) | 9,073,236 | 160,233 | (155,335) |
| Subtotal | 66,588,718 | 1,090,170 | (680,105) | 97,132,948 | 1,211,841 | (850,333) |
| Interest rate derivatives | | | | | | |
| Interest rate swaps and futures | 84,691,204 | 590,444 | (229,660) | 71,961,675 | 536,147 | (200,473) |
| Equity derivatives ⁽ⁱ⁾ | 2,851,473 | 258,178 | (308,306) | 835,608 | 50,857 | – |
| Commodity derivatives and others | 1,165,158 | 15,395 | (18,695) | 283,398 | 89,078 | (933) |
| Total | 155,296,553 | 1,954,187 | (1,236,766) | 170,213,629 | 1,887,923 | (1,051,739) |

⁽ⁱ⁾ Please refer to Note IV.56.2 Fair values of financial assets and financial liabilities that are measured at fair value on a recurring basis for fair value measurement of equity derivatives.

IV. EXPLANATORY NOTES (Continued)

20. Financial assets held under resale agreements

| | As at 30 June 2023 (Unaudited) | As at 31 December 2022 (Audited) |
|---------------------------------------|---|---|
| By collateral type | | |
| Bonds | 3,030,321 | 29,026,362 |
| Stocks | <u>99,036</u> | <u>1,188,846</u> |
| Interest receivable | <u>2,129</u> | <u>11,757</u> |
| Subtotal | <u>3,131,486</u> | <u>30,226,965</u> |
| Less: Allowance for impairment losses | <u>(100,573)</u> | <u>(151,598)</u> |
| Total | <u><u>3,030,913</u></u> | <u><u>30,075,367</u></u> |

As at 30 June 2023, the Group's assets held under resale agreements in Stage I, II and III amounted to RMB3,031.12 million, nil and RMB100.37 million, respectively (As at 31 December 2022: RMB29,946.39 million, nil and RMB280.58 million, respectively). The allowance for impairment losses in Stage I, II and III amounted to RMB0.20 million, nil and RMB100.37 million, respectively (As at 31 December 2022: RMB0.90 million, nil and RMB150.70 million, respectively).

IV. EXPLANATORY NOTES (Continued)

21. Financial assets at fair value through other comprehensive income

| | As at 30 June 2023 (Unaudited) | As at 31 December 2022 (Audited) |
|---|---|---|
| Debt investments at fair value through other comprehensive income | | |
| Debt securities | | |
| – Government bonds | 50,609,848 | 53,203,597 |
| – Public sector and quasi-government bonds | 2,828,622 | 2,776,062 |
| – Financial institution bonds | 57,945,074 | 45,663,840 |
| – Corporate bonds | 26,823,862 | 22,174,956 |
| | <u>1,132,306</u> | <u>1,115,796</u> |
| Interest receivable | | 1,115,796 |
| | <u>1,132,306</u> | <u>1,115,796</u> |
| Subtotal | <u>139,339,712</u> | <u>124,934,251</u> |
| Equity investments designated as at fair value through other comprehensive income | | |
| Equity instruments | | |
| | <u>6,891,502</u> | <u>5,553,430</u> |
| Subtotal | <u>6,891,502</u> | <u>5,553,430</u> |
| Total | <u><u>146,231,214</u></u> | <u><u>130,487,681</u></u> |

As at 30 June 2023, the Group's debt investments at fair value through other comprehensive income in Stage I, II and III amounted to RMB148,286.28 million, nil and RMB217.98 million, respectively (31 December 2022: RMB126,635.51 million, nil, RMB502.57 million, respectively). The allowance for impairment losses amounted to RMB112.35 million, nil and RMB203.16 million, respectively (31 December 2022: RMB93.34 million, nil and RMB405.41 million, respectively).

As at 30 June 2023, the Group's equity investments at fair value through other comprehensive income amounted to RMB6,891.50 million (31 December 2022: RMB5,553.43 million). The above equity investments were irrevocably designated as at fair value through other comprehensive income as the Group considers these investments to be strategic in nature.

For the six months ended 30 June 2023, the Group received dividends at the amount of RMB1.65 million (for the six months ended 30 June 2022: RMB0.95 million) from equity investments designated as at fair value through other comprehensive income.

IV. EXPLANATORY NOTES (Continued)

22. Loans and advances to customers

| | As at 30 June 2023 (Unaudited) | As at 31 December 2022 (Audited) |
|--|---|---|
| At amortized cost | | |
| Corporate loans and advances | | |
| – Loans and advances | 264,870,528 | 257,143,142 |
| – Discounted bills | 506,386 | 192,278 |
| Personal loans and advances | | |
| – Mortgages | 26,230,839 | 27,193,721 |
| – Personal consumption loans | 22,669,122 | 22,791,024 |
| Loans to margin clients | 9,669,734 | 9,063,598 |
| Finance lease receivables | 75,234,867 | 72,271,287 |
| | <u>399,181,476</u> | <u>388,655,050</u> |
| Subtotal | | |
| | <u>2,151,732</u> | <u>3,712,897</u> |
| Interest accrued | | |
| | <u>401,333,208</u> | <u>392,367,947</u> |
| Total loans and advances to customers at amortized cost | | |
| At fair value through profit or loss | | |
| Corporate loans and advances | <u>17,436,974</u> | 14,436,617 |
| Total loans and advances to customers | <u>418,770,182</u> | <u>406,804,564</u> |
| Less: Allowance for impairment losses on loans and advances to customers at amortized cost | <u>(11,264,389)</u> | <u>(10,274,576)</u> |
| Net loans and advances to customers | <u><u>407,505,793</u></u> | <u><u>396,529,988</u></u> |

IV. EXPLANATORY NOTES (Continued)

22. Loans and advances to customers (Continued)

Loans and advances at amortized cost are as follows:

| | Stage I (12-month ECL) | Stage II (Lifetime ECL) | Stage III (Lifetime ECL-impaired) | Total |
|--|---------------------------|----------------------------|---|---------------------------|
| As at 30 June 2023 | | | | |
| Gross loans and advances | 361,946,318 | 30,983,431 | 8,403,459 | 401,333,208 |
| Less: Allowances for impairment losses | <u>(3,882,197)</u> | <u>(3,398,987)</u> | <u>(3,983,205)</u> | <u>(11,264,389)</u> |
| Net loans and advances to customers | <u><u>358,064,121</u></u> | <u><u>27,584,444</u></u> | <u><u>4,420,254</u></u> | <u><u>390,068,819</u></u> |
| As at 31 December 2022 | | | | |
| Gross loans and advances | 357,078,476 | 28,955,020 | 6,334,451 | 392,367,947 |
| Less: Allowances for impairment losses | <u>(3,720,086)</u> | <u>(3,090,970)</u> | <u>(3,463,520)</u> | <u>(10,274,576)</u> |
| Net loans and advances to customers | <u><u>353,358,390</u></u> | <u><u>25,864,050</u></u> | <u><u>2,870,931</u></u> | <u><u>382,093,371</u></u> |

IV. EXPLANATORY NOTES (Continued)

22. Loans and advances to customers (Continued)

The movements of allowance for loans and advances to customers are as follows:

| | For the six months ended 30 June 2023 | | | Total |
|---|---------------------------------------|----------------------------|---|-------------------|
| | Stage I (12-month ECL) | Stage II (Lifetime ECL) | Stage III (Lifetime ECL-impaired) | |
| As at January 1 | 3,720,086 | 3,090,970 | 3,463,520 | 10,274,576 |
| Convert to Stage I | 67,685 | (66,507) | (1,178) | – |
| Convert to Stage II | (47,812) | 364,436 | (316,624) | – |
| Convert to Stage III | (301) | (376,310) | 376,611 | – |
| Impairment losses recognized | 1,120,645 | 496,145 | 482,657 | 2,099,447 |
| Impairment losses reversed | (788,912) | (201,390) | (57,676) | (1,047,978) |
| Stage conversion | (188,791) | 76,487 | 809,361 | 697,057 |
| Write-off and transfer out | – | – | (736,749) | (736,749) |
| Recovery of loans and advances written off in previous years | – | – | 6,206 | 6,206 |
| Unwinding of discount on allowance | – | – | (81,137) | (81,137) |
| Exchange differences | (403) | 15,156 | 38,214 | 52,967 |
| As at June 30 | <u>3,882,197</u> | <u>3,398,987</u> | <u>3,983,205</u> | <u>11,264,389</u> |

The gross carrying amount of loans and advances to customers transferred from Stage II to Stage I due to the modification of the contractual cash flows for the six months ended 30 June 2023 was not significant.

| | 2022 | | | Total |
|---|---------------------------|----------------------------|---|-------------------|
| | Stage I (12-month ECL) | Stage II (Lifetime ECL) | Stage III (Lifetime ECL-impaired) | |
| As at January 1 | 2,697,758 | 2,326,250 | 4,573,794 | 9,597,802 |
| Convert to Stage I | 21,144 | (21,144) | – | – |
| Convert to Stage II | (259,740) | 325,076 | (65,336) | – |
| Convert to Stage III | (16,944) | (836,624) | 853,568 | – |
| Impairment losses recognized | 1,764,975 | 199,783 | 1,424,656 | 3,389,414 |
| Impairment losses reversed | (530,509) | (753,708) | (943,471) | (2,227,688) |
| Stage conversion | (5,743) | 1,815,860 | 298,244 | 2,108,361 |
| Write-off and transfer out | – | – | (2,801,103) | (2,801,103) |
| Recovery of loans and advances written off in previous years | – | – | 46,623 | 46,623 |
| Unwinding of discount on allowance | – | – | (13,872) | (13,872) |
| Exchange differences | 49,145 | 35,477 | 90,417 | 175,039 |
| As at December 31 | <u>3,720,086</u> | <u>3,090,970</u> | <u>3,463,520</u> | <u>10,274,576</u> |

The gross carrying amount of loans and advances to customers transferred from Stage II to Stage I due to the modification of the contractual cash flows in the year of 2022 was not significant.

IV. EXPLANATORY NOTES (Continued)

22. Loans and advances to customers (Continued)

The gross carrying amount of loans and advances to customers transferred from Stage II to Stage I due to the modification of the contractual cash flows in the year of 2022 was not significant.

Finance lease receivables are analyzed as follows:

| | As at 30 June 2023 (Unaudited) | As at 31 December 2022 (Audited) |
|--|---|---|
| Minimum finance lease receivables: | | |
| Within 1 year (inclusive) | 31,733,558 | 30,715,938 |
| 1 year to 2 years (inclusive) | 25,032,627 | 22,527,710 |
| 2 years to 3 years (inclusive) | 15,181,279 | 14,936,172 |
| 3 years to 4 years (inclusive) | 6,113,496 | 6,770,685 |
| 4 years to 5 years (inclusive) | 2,511,793 | 2,427,663 |
| Over 5 years | <u>1,445,491</u> | <u>1,717,919</u> |
| Gross amount of finance lease receivables | 82,018,244 | 79,096,087 |
| Less: Unearned finance income | <u>(6,783,377)</u> | <u>(6,824,800)</u> |
| Subtotal | <u>75,234,867</u> | <u>72,271,287</u> |
| Interest accrued | <u>549,117</u> | 503,488 |
| Net amount of finance lease receivables | <u>75,783,984</u> | <u>72,774,775</u> |
| Less: Allowance for impairment losses | <u>(3,680,434)</u> | <u>(3,133,697)</u> |
| Carrying amount of finance lease receivables | <u>72,103,550</u> | <u>69,641,078</u> |
| Present value of minimum lease receivables: | | |
| Within 1 year (inclusive) | 28,925,288 | 28,066,195 |
| 1 year to 2 years (inclusive) | 23,128,129 | 20,559,607 |
| 2 years to 3 years (inclusive) | 14,331,034 | 13,988,581 |
| 3 years to 4 years (inclusive) | 5,767,907 | 6,353,173 |
| 4 years to 5 years (inclusive) | 2,377,835 | 2,274,491 |
| Over 5 years | <u>1,253,791</u> | <u>1,532,728</u> |
| Total | <u>75,783,984</u> | <u>72,774,775</u> |
| Including: | | |
| Finance lease receivables pledged for borrowings | <u>6,472,344</u> | <u>6,820,228</u> |

IV. EXPLANATORY NOTES (Continued)

23. Financial assets at amortized cost

| | As at 30 June 2023 (Unaudited) | As at 31 December 2022 (Audited) |
|--|---|---|
| Distressed debt assets | | |
| – Acquired from financial institutions | 2,016,396 | 4,516,849 |
| – Acquired from non-financial institutions | 81,691,466 | 103,471,884 |
| | <hr/> | <hr/> |
| Subtotal | 83,707,862 | 107,988,733 |
| | <hr/> | <hr/> |
| Interest accrued | 4,209,823 | 5,053,115 |
| | <hr/> | <hr/> |
| Gross of distressed debt assets | 87,917,685 | 113,041,848 |
| | <hr/> | <hr/> |
| Less: Allowance for impairment losses | (13,010,873) | (13,230,434) |
| | <hr/> | <hr/> |
| Net of distressed debt assets | 74,906,812 | 99,811,414 |
| | <hr/> | <hr/> |
| Other debt investments | 72,453,542 | 69,922,811 |
| | <hr/> | <hr/> |
| Interest accrued | 3,827,263 | 3,247,168 |
| | <hr/> | <hr/> |
| Gross of other debt investments | 76,280,805 | 73,169,979 |
| | <hr/> | <hr/> |
| Less: Allowance for impairment losses | (3,561,961) | (2,987,083) |
| | <hr/> | <hr/> |
| Net of other debt investments | 72,718,844 | 70,182,896 |
| | <hr/> | <hr/> |
| Total | 147,625,656 | 169,994,310 |
| | <hr/> <hr/> | <hr/> <hr/> |

IV. EXPLANATORY NOTES (Continued)

23. Financial assets at amortized cost (Continued)

Distressed debt assets are as follows:

| | Stage I (12-month ECL) | Stage II (Lifetime ECL) | Stage III (Lifetime ECL-impaired) | Total |
|---------------------------------------|---------------------------|----------------------------|---|--------------------------|
| As at 30 June 2023 | | | | |
| Gross distressed debt assets | 53,933,639 | 21,831,392 | 12,152,654 | 87,917,685 |
| Less: Allowance for impairment losses | <u>(2,158,766)</u> | <u>(4,638,908)</u> | <u>(6,213,199)</u> | <u>(13,010,873)</u> |
| Net distressed debt assets | <u><u>51,774,873</u></u> | <u><u>17,192,484</u></u> | <u><u>5,939,455</u></u> | <u><u>74,906,812</u></u> |
| | Stage I (12-month ECL) | Stage II (Lifetime ECL) | Stage III (Lifetime ECL-impaired) | Total |
| As at 31 December 2022 | | | | |
| Gross distressed debt assets | 85,736,575 | 15,694,155 | 11,611,118 | 113,041,848 |
| Less: Allowance for impairment losses | <u>(3,610,887)</u> | <u>(3,279,209)</u> | <u>(6,340,338)</u> | <u>(13,230,434)</u> |
| Net distressed debt assets | <u><u>82,125,688</u></u> | <u><u>12,414,946</u></u> | <u><u>5,270,780</u></u> | <u><u>99,811,414</u></u> |

IV. EXPLANATORY NOTES (Continued)

23. Financial assets at amortized cost (Continued)

The movements of allowance for distressed debt assets are as follows:

| | For the six months ended 30 June 2023 | | | Total |
|------------------------------------|---------------------------------------|----------------------------|---|-------------------|
| | Stage I (12-month ECL) | Stage II (Lifetime ECL) | Stage III (Lifetime ECL-impaired) | |
| 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 | (1,013,691) | 1,013,691 | – | – |
| Convert to Stage III | (6,385) | (528,269) | 534,654 | – |
| Impairment losses recognized | 221,745 | 156,817 | 307,918 | 686,480 |
| Impairment losses reversed | (678,912) | (29,077) | (55,086) | (763,075) |
| Stage conversion | (317,768) | 1,316,597 | 302,403 | 1,301,232 |
| Write-off and transfer out | (117,443) | (109,727) | (919,744) | (1,146,914) |
| Unwinding of discount on allowance | – | – | (297,284) | (297,284) |
| As at June 30 | <u>2,158,766</u> | <u>4,638,908</u> | <u>6,213,199</u> | <u>13,010,873</u> |
| | 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 | <u>3,610,887</u> | <u>3,279,209</u> | <u>6,340,338</u> | <u>13,230,434</u> |

IV. EXPLANATORY NOTES (Continued)

24. Accounts receivable

| | As at 30 June 2023 (Unaudited) | As at 31 December 2022 (Audited) |
|--|---|---|
| Accounts receivable from sales of properties | 1,722,389 | 2,005,376 |
| Accounts receivable relating to equity assets | 479,669 | 428,008 |
| Accounts receivable relating to distressed debt assets | 1,166,383 | 1,348,581 |
| Commission and fee receivables | 952,568 | 909,284 |
| Others | 400,244 | 474,565 |
| | <u>4,721,253</u> | <u>5,165,814</u> |
| Gross of accounts receivable | | |
| | <u>(332,382)</u> | <u>(362,484)</u> |
| Less: Allowance for impairment losses | | |
| Net of accounts receivable | <u><u>4,388,871</u></u> | <u><u>4,803,330</u></u> |

The aging analysis of accounts receivable relating to distressed debt assets and debt-to-equity swap assets is as follows:

| | As at 30 June 2023 (Unaudited) | | | As at 31 December 2022 (Audited) | | | | |
|-----------------------------------|-----------------------------------|-------------------|-------------------------|-------------------------------------|-------------------------|-------------------|-------------------------|-------------------------|
| | Gross amount | % | Impairment | Carrying amount | Gross amount | % | Impairment | Carrying amount |
| Within 1 year (inclusive) | 677,218 | 46 | - | 677,218 | 944,578 | 53 | - | 944,578 |
| 1 year to 2 years (inclusive) | 393,492 | 27 | (118,048) | 275,444 | 405,847 | 23 | (118,048) | 287,799 |
| 2 years to 3 years (inclusive) | - | - | - | - | 11,927 | 1 | - | 11,927 |
| Over 3 years | 404,673 | 27 | (63,039) | 341,634 | 414,237 | 23 | (38,614) | 375,623 |
| Total | <u><u>1,475,383</u></u> | <u><u>100</u></u> | <u><u>(181,087)</u></u> | <u><u>1,294,296</u></u> | <u><u>1,776,589</u></u> | <u><u>100</u></u> | <u><u>(156,662)</u></u> | <u><u>1,619,927</u></u> |

IV. EXPLANATORY NOTES (Continued)

24. Accounts receivable (Continued)

The movements of allowance for impairment losses are as follows:

| | For the six months ended 30 June 2023 (Unaudited) | For the year ended 31 December 2022 (Audited) |
|--|--|---|
| At beginning of the period/year | 362,484 | 278,974 |
| Impairment losses recognized | 30,140 | 206,247 |
| Impairment losses reversed | (4,278) | (34,521) |
| Amounts written off and transferred out and others | (55,964) | (88,216) |
| | <u>332,382</u> | <u>362,484</u> |

25. Properties held for sale

| | As at 30 June 2023 (Unaudited) | As at 31 December 2022 (Audited) |
|---------------------------------------|---|---|
| Completed properties | 11,991,763 | 11,842,208 |
| Properties under development | 37,636,190 | 37,940,307 |
| Others | 20,790 | 12,115 |
| | <u>49,648,743</u> | <u>49,794,630</u> |
| Subtotal | 49,648,743 | 49,794,630 |
| Less: Allowance for impairment losses | (1,785,641) | (1,919,440) |
| | <u>47,863,102</u> | <u>47,875,190</u> |
| Total | 47,863,102 | 47,875,190 |
| Including: | | |
| Pledged for borrowings | 10,281,613 | 9,370,731 |
| | <u>10,281,613</u> | <u>9,370,731</u> |

IV. EXPLANATORY NOTES (Continued)

26. Investment properties

For the six months ended 30 June 30 2023, the Group acquired no investment properties (for the six months ended 30 June 30 2022: nil), and disposed of investment properties with an aggregate amount of RMB68.06 million at net book value (for the six months ended 30 June 30 2022: RMB53.31 million).

As at 30 June 2023, the net book value of investment properties which the Group pledged for borrowings amounted to RMB2,329.21 million (31 December 2022: 2,609.48 million).

As at 30 June 2023, the value of investment properties for which the Group has not obtained certificates of land use rights or certificates of property ownership was RMB6.68 million (31 December 2022: RMB6.68 million).

27. Interests in consolidated structured entities

The Group had consolidated certain structured entities including private equity funds, trusts, asset management plans, mutual funds. The judgments used by the Group to determine whether control exists are the same as those that are applied to the consolidated financial statements for the year ended 31 December 2022.

The financial impact of each of the private equity funds, trusts, asset management plans, mutual funds on the Group's financial position as at 30 June 2023 and 31 December 2022, and results and cash flows for the six months ended 30 June 2023 and the year ended 31 December 2022, though consolidated, is not significant individually and therefore not disclosed separately.

Interests held by other holders are presented as change in net assets attributable to other holders of consolidated structured entities in the interim condensed consolidated statement of profit or loss and included in other liabilities in the interim condensed consolidated statement of financial position as set out in Note IV.44 Other liabilities.

28. Interests in associates and joint ventures

| | As at 30 June 2023 (Unaudited) | As at 31 December 2022 (Audited) |
|--|---|---|
| Interests in associates and joint ventures | 92,563,358 | 89,755,458 |
| Less: Allowance for impairment losses | <u>(1,453,526)</u> | <u>(2,213,224)</u> |
| Net carrying amounts | <u>91,109,832</u> | <u>87,542,234</u> |

29. Interests in unconsolidated structured entities

Structured entities over which the Group had power by virtue of the Group serving as general partner, manager or trustee during the period include private equity funds, mutual funds, trusts, asset management plans, wealth management products and asset-backed securities. Except for the structured entities over which the Group has consolidated as detailed in Note IV.27 Interests in consolidated structured entities, in the opinion of the directors of the Company, the variable returns to which the Group is exposed over the structured entities that the Group has interests in are not significant nor the Group has the control over these entities. The Group therefore did not consolidate these structured entities.

IV. EXPLANATORY NOTES (Continued)

30. Property and equipment

For the six months ended 30 June 2023, the Group acquired property and equipment with an aggregate amount of RMB345.66 million at cost (for the six months ended 30 June 2022: RMB1,024.28 million), and disposed of property and equipment with an aggregate amount of RMB48.92 million at net book value (for the six months ended 30 June 2022: RMB26.22 million).

As at 30 June 2023, the Group's construction in progress amounted to RMB159.70 million (31 December 2022: RMB139.27 million).

As at 30 June 2023, the Group's property for which the Group has not obtained a certificate of property ownership amounted to RMB470.67 million (31 December 2022: RMB470.67 million).

As at 30 June 2023, the net book value of property and equipment which the Group pledged for borrowings amounted to RMB1,998.33 million (31 December 2022: RMB2,060.75 million).

31. Goodwill

| | As at 30 June 2023 (Unaudited) | As at 31 December 2022 (Audited) |
|---------------------------------|---|---|
| Carrying amount | | |
| At beginning of the period/year | 24,616,355 | 22,660,148 |
| Exchange differences | 742,206 | 1,956,207 |
| At end of the period/year | 25,358,561 | 24,616,355 |
| Allowance for impairment losses | | |
| At beginning of the period/year | (1,238,068) | (1,238,068) |
| Charge for the period/year | — | — |
| At end of the period/year | (1,238,068) | (1,238,068) |
| Net book value | | |
| At beginning of the period/year | 23,378,287 | 21,422,080 |
| At end of the period/year | 24,120,493 | 23,378,287 |

IV. EXPLANATORY NOTES (Continued)

32. Deferred taxation

For the purpose of presentation in the interim condensed consolidated statement of financial position, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances:

| | As at 30 June 2023 (Unaudited) | As at 31 December 2022 (Audited) |
|--------------------------|---|---|
| Deferred tax assets | 11,235,454 | 11,190,829 |
| Deferred tax liabilities | (1,802,445) | (1,943,766) |
| Deferred taxation | <u>9,433,009</u> | <u>9,247,063</u> |

IV. EXPLANATORY NOTES (Continued)

32. Deferred taxation (Continued)

The movements of deferred tax assets and deferred tax liabilities are set out below:

| | (Unaudited) | | | | | | | | | | | | | |
|---|---------------------------------|-----------------------------------|-------------------|--|----------------------------------|--|------------|------------|--|---|--|---|-----------|-----------|
| | Allowance for impairment losses | Withholding land appreciation tax | Asset revaluation | Fair value adjustments in business combination | Staff costs accrued but not paid | Interest capitalized on properties held for sale | Tax losses | Provisions | Changes in fair value of financial assets at FVTPL | Temporary differences related to the cost of 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 1 January 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 | 45,373 | (4,047) | 192,764 | 1,875 | (76,193) | (46,021) | (76,810) | 7,440 | 1,330,985 | (853,462) | (1,209) | 9,361 | 188,013 | 718,069 |
| Charge to other comprehensive income/(loss) | - | - | - | - | - | - | - | - | - | (11,994) | (326,954) | - | (10,342) | (349,290) |
| Others | (33,085) | - | - | - | (1,720) | - | - | 1,825 | (6,035) | (161,178) | 16,020 | - | 1,340 | (182,833) |
| As at 30 June 2023 | 10,243,350 | 375,147 | (701,894) | (632,056) | 997,475 | 371,601 | 102,344 | 131,539 | 2,877,361 | (7,469,993) | 945,098 | 498,454 | 1,694,583 | 9,433,009 |

IV. EXPLANATORY NOTES (Continued)

32. Deferred taxation (Continued)

The movements of deferred tax assets and deferred tax liabilities are set out below: (Continued)

| | (Audited) | | | | | | | | | | Total | | | |
|---|---------------------------------|-----------------------------------|-------------------|--|----------------------------------|--|------------|------------|--|---|--|---|-----------|-----------|
| | 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 joint ventures (i) | Changes in fair value and impairment losses on financial assets at FVOCI | Unrealized loss due to income rights transfer | Others | |
| 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 31 December 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 value and the tax base for the associates and joint ventures not held for a long term by the Group.

IV. EXPLANATORY NOTES (Continued)

33. Other assets

| | As at 30 June 2023 (Unaudited) | As at 31 December 2022 (Audited) |
|---|---|---|
| Assets in satisfaction of debts | 12,308,846 | 13,227,885 |
| Other receivables | 9,868,589 | 8,469,127 |
| Prepayments | 3,586,413 | 3,804,981 |
| Prepaid taxes | 1,817,157 | 1,776,799 |
| Dividends receivable | 1,553,419 | 1,905,299 |
| Right-of-use assets | 961,824 | 1,047,723 |
| Interest receivable | 736,708 | 690,233 |
| Contract assets | 521,440 | 187,815 |
| Assets with continuing involvement (Note IV.52) | 322,620 | 322,620 |
| Long-term prepaid expenses | 341,601 | 324,120 |
| Notes receivable | 300,000 | 24,944 |
| Precious metals | 265,541 | 275,604 |
| Others | 433,648 | 322,587 |
| | <hr/> | <hr/> |
| Total | 33,017,806 | 32,379,737 |
| | <hr/> <hr/> | <hr/> <hr/> |

34. Borrowings from the central bank

| | As at 30 June 2023 (Unaudited) | As at 31 December 2022 (Audited) |
|----------------------------------|---|---|
| Borrowings from the central bank | 986,058 | 986,058 |
| | <hr/> | <hr/> |
| | <hr/> <hr/> | <hr/> <hr/> |

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.

IV. EXPLANATORY NOTES (Continued)

35. Financial liabilities at fair value through profit or loss

| | As at 30 June 2023 (Unaudited) | As at 31 December 2022 (Audited) |
|---|---|---|
| Short positions in exchange fund bills and notes | 8,335,781 | 9,416,399 |
| Derivative financial liabilities (Note IV.19.(1)) | 1,236,766 | 1,051,739 |
| Financing payables linked to stock index | 16,284 | 216,751 |
| | <u>9,588,831</u> | <u>10,684,889</u> |
| Total | <u>9,588,831</u> | <u>10,684,889</u> |

36. Financial assets sold under repurchase agreements

| | As at 30 June 2023 (Unaudited) | As at 31 December 2022 (Audited) |
|---------------------------|---|---|
| By collateral type: | | |
| Debt securities | 39,391,771 | 42,171,187 |
| Finance lease receivables | 1,002,085 | 1,000,000 |
| Fund | 335,907 | 32,292 |
| | <u>40,729,763</u> | <u>43,203,479</u> |
| Subtotal | <u>40,729,763</u> | <u>43,203,479</u> |
| Interest payable | 272,518 | 222,166 |
| | <u>272,518</u> | <u>222,166</u> |
| Total | <u>41,002,281</u> | <u>43,425,645</u> |

37. Placements from banks and financial institutions

| | As at 30 June 2023 (Unaudited) | As at 31 December 2022 (Audited) |
|------------------------------|---|---|
| Banks | 19,872,401 | 14,770,123 |
| Other financial institutions | 2,610,000 | 5,640,000 |
| | <u>22,482,401</u> | <u>20,410,123</u> |
| Subtotal | <u>22,482,401</u> | <u>20,410,123</u> |
| Interest payable | 153,608 | 67,927 |
| | <u>153,608</u> | <u>67,927</u> |
| Total | <u>22,636,009</u> | <u>20,478,050</u> |

IV. EXPLANATORY NOTES (Continued)

38. Borrowings

| | As at 30 June 2023 (Unaudited) | As at 31 December 2022 (Audited) |
|--|---|---|
| Borrowings from banks and financial institutions | | |
| Unsecured loans | 549,714,896 | 579,555,583 |
| Loans secured by properties | 10,392,983 | 10,898,795 |
| Other secured loans | 21,023,152 | 21,519,381 |
| | <u>581,131,031</u> | <u>611,973,759</u> |
| Subtotal | | |
| | <u>581,131,031</u> | <u>611,973,759</u> |
| Interest payable | 5,228,793 | 3,384,165 |
| | <u>5,228,793</u> | <u>3,384,165</u> |
| Total | <u><u>586,359,824</u></u> | <u><u>615,357,924</u></u> |

Loans secured by properties were collateralized by properties held for sale, investment properties, property and equipment at an aggregate carrying amount of RMB14,609 million as at 30 June 2023 (31 December 2022: RMB14,041 million).

Other secured loans were interests in associates and joint ventures and finance lease receivables at an aggregate carrying amount of RMB6,534 million as at 30 June 2023 (31 December 2022: RMB12,157 million). 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”), Loan Prime Rate (LPR).

The ranges of effective interest rates per annum (which are also equal to contractual interest rates) on the Group’s borrowings are as follows:

| | As at 30 June 2023 (Unaudited) | As at 31 December 2022 (Audited) |
|--------------------------|---|---|
| Fixed-rate borrowings | 2.15%-7.50% | 2.00%-7.50% |
| Variable-rate borrowings | <u>0.59%-7.50%</u> | <u>0.11%-6.35%</u> |

IV. EXPLANATORY NOTES (Continued)

39. Due to customers

| | As at 30 June 2023 (Unaudited) | As at 31 December 2022 (Audited) |
|--------------------|---|---|
| Demand deposits | | |
| Corporate | 59,048,425 | 60,498,654 |
| Personal | 38,258,217 | 41,414,718 |
| Time deposits | | |
| Corporate | 86,660,734 | 101,259,836 |
| Personal | 123,948,534 | 104,049,259 |
| Guarantee deposits | 9,601,413 | 13,889,870 |
| | <hr/> | <hr/> |
| Subtotal | 317,517,323 | 321,112,337 |
| | <hr/> | <hr/> |
| Interest payable | 2,705,228 | 1,928,192 |
| | <hr/> | <hr/> |
| Total | 320,222,551 | 323,040,529 |
| | <hr/> <hr/> | <hr/> <hr/> |

40. Deposits from banks and financial institutions

| | As at 30 June 2023 (Unaudited) | As at 31 December 2022 (Audited) |
|------------------------------|---|---|
| Banks | 501,507 | 2,655,835 |
| Other financial institutions | 12,559,740 | 10,049,564 |
| | <hr/> | <hr/> |
| Subtotal | 13,061,247 | 12,705,399 |
| | <hr/> | <hr/> |
| Interest payable | 134,034 | 143,440 |
| | <hr/> | <hr/> |
| Total | 13,195,281 | 12,848,839 |
| | <hr/> <hr/> | <hr/> <hr/> |

IV. EXPLANATORY NOTES (Continued)

41. Accounts payable

| | As at 30 June 2023 (Unaudited) | As at 31 December 2022 (Audited) |
|--|---|---|
| Accounts payable associated with real estate business (1) | 3,462,544 | 4,205,662 |
| Asset purchase payable | 329,940 | 21,000 |
| Others | <u>838,529</u> | <u>720,241</u> |
| Total | <u>4,631,013</u> | <u>4,946,903</u> |

(1) Accounts payable associated with real estate business mainly comprise construction costs payable to contractors.

No aging analysis is disclosed, as in the opinion of the directors of the Company, the aging analysis of these items does not give additional value to the users of the condensed interim financial statements in view of the nature of these items.

IV. EXPLANATORY NOTES (Continued)

42. Bonds issued

| As at 30 June 2023 | | | | | | |
|-----------------------------|--------------|-------------|----------|------------------|---------------------------------------|---------------------------|
| Bond Type | Notes | Face Value | Currency | Term | Bond Rate/ Expected Return Rate | Book Value (Unaudited) |
| Financial Bonds | (1) | 104,600,000 | CNY | 3-10 years | 2.92%-5.50% | 106,374,087 |
| USD Guaranteed | | | | | | |
| Senior Notes | (2) | 11,365,000 | USD | 3-30 years | 1.25%-5.625% | 82,194,602 |
| Corporate Bonds | (3)(4)(5)(6) | 35,370,768 | CNY | 1-6 years | 3.45%-4.70% | 35,968,815 |
| Asset-backed Securities | (7) | 31,102,780 | CNY | 5 months-3 years | 2.60%-4.10% | 31,156,269 |
| Mid-term Notes | (8) | 9,290,000 | CNY | 3-5 years | 2.99%-5.98% | 9,447,050 |
| Tier-II Capital Bonds | (9) | 8,000,000 | CNY | 5 years | 4.50% | 8,204,341 |
| Certificates of Deposit | | 24,006,842 | CNY | 6 months-1 year | 2.14%-2.91% | 5,741,819 |
| Subordinate Bonds | | 700,000 | USD | 10 years | 3.80% | 5,055,117 |
| Private Placement Notes | | 1,700,000 | CNY | 3 years | 5.00%-5.18% | 1,731,714 |
| RMB Guaranteed Senior Notes | (10) | 1,500,000 | CNY | 3 years | 3.70% | 1,505,887 |
| Beneficiary Certificates | | 2,180,850 | CNY | 1-9 months | 2.20%-3.80% | 1,236,690 |
| Debt Financing Plans | | 619,000 | CNY | 3 years | 3.5%-5% | 321,314 |
| Total | | | | | | <u><u>288,937,705</u></u> |

| As at 31 December 2022 | | | | | | |
|-----------------------------|--------------|-------------|----------|-------------------|---------------------------------------|---------------------------|
| Bonds Type | Notes | Face Value | Currency | Term | Bond Rate/ Expected Return Rate | Book Value |
| Financial Bonds | (1) | 117,100,000 | CNY | 9 months-10 years | 2.20%-5.50% | 120,294,574 |
| USD Guaranteed Senior Notes | (2) | 12,834,992 | USD | 3-30 years | 1.25%-5.625% | 89,970,404 |
| Corporate Bonds | (3)(4)(5)(6) | 23,875,000 | CNY | 3-8 years | 3.18%-4.94% | 24,481,722 |
| Asset-backed Securities | (7) | 24,997,425 | CNY | 10 months-3 years | 2.90%-4.10% | 24,134,343 |
| Mid-term Notes | (8) | 9,290,000 | CNY | 3-5 years | 2.99%-5.10% | 9,515,767 |
| Certificates of Deposit | | 9,430,000 | CNY | 3 months-1 year | 1.90%-2.90% | 9,341,264 |
| Tier-II Capital Bonds | (9) | 8,000,000 | CNY | 5 years | 4.50% | 8,025,068 |
| Subordinate Notes | | 700,000 | USD | 10 years | 3.80% | 4,872,980 |
| Debt Financing Plans | | 907,000 | CNY | 3 years | 3.50%-5.00% | 902,049 |
| Beneficiary Certificates | | 725,790 | CNY | 1-9 months | 2.08%-3.50% | 730,850 |
| Private Placement Notes | | 600,000 | CNY | 3 years | 5.00% | 604,767 |
| HKD Bonds | | 10,000 | HKD | 10 years | 2.50% | 9,004 |
| Total | | | | | | <u><u>292,882,792</u></u> |

IV. EXPLANATORY NOTES (Continued)

42. Bonds issued (Continued)

- (1) The Company issued financial bonds with a total face value of RMB90,000 million in the China Interbank Bond Market (“CIBM”) in the period from September 2015 to November 2022 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 RMB12,000 million in the period from October 2018 to June 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 USD12,865 million of Guaranteed Senior Notes (the “USD Notes”) in Hong Kong in May 2014, December 2017, February 2019, January 2021, and January 2022. In 2023, an amount of USD1,500 million was sold back by the investors.
- (3) The Company's subsidiary, Cinda Investment Co., Ltd. (“Cinda Investment”), issued corporate bonds with a face value of RMB3,000 million and RMB2,000 million in December 2015 and January 2016, respectively. The bonds have fixed coupon rates, payable annually, with the issuer's option to adjust the coupon rate and the investor's option to sell back at the end of the fifth year. The issuer and investors adjusted interest rates and partially sold back in December 2020 and January 2021, with a face value of RMB3 million.

Cinda Investment issued corporate bonds with a total face value of RMB6,375 million in May 2019 and August 2019. The bonds have fixed coupon rates, payable annually, with the issuer's option to adjust the coupon rate and the investor's option to sell back at the end of the third year. In May and August 2022, the issuer and investors adjusted interest rates and partially sold back the corporate bonds issued in May and August 2019, with a face value of RMB1 million.

- (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 total 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.

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.

IV. EXPLANATORY NOTES (Continued)

42. Bonds issued (Continued)

(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 a corporate bond with a total face value of RMB2,000 million in March 2022 and June 2022. The bond has fixed coupon rate, payable annually, with the issuer's option to adjust the coupon rate and the investor's option to sell back at the end of the second year.

(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 Company Limited issued a 3-year corporate bond with a face value of RMB2,500 million at fixed a coupon rate of 3.80% on 17 July 2020 and 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 respectively.

Cinda Securities Co., Ltd. issued a corporate bonds with a face value of RMB2,000 million in March 2023 at a fixed coupon rate of 3.23%. Cinda Securities Company Limited issued short-term corporate bonds with face value of RMB3,000 million and RMB2,000 million in March and June 2023, at fixed coupon rates of 2.83% and 2.41% respectively.

(7) The Company issued asset-backed securities with a total face value of RMB31,102 million during the period from April 2021 to June 2023 at fixed coupon rates.

(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 Real Estate, a subsidiary of the Company, issued medium-term notes with a face value of RMB1,460 million, RMB980 million, RMB900 million and RMB580 million in August 2020, December 2020, January 2021 and March 2022, respectively, with fixed coupon rates, payable annually; Cinda Real Estate issued medium-term notes with a face value of RMB1,600 million in April 2023 with fixed coupon rate, payable annually. Such medium-term notes have two tranches, tranche I has a maturity of 2+2+1 years, with an option by the issuer to adjust the coupon rate and an investor's recall option at the end of second and fourth year. Tranche II has a maturity of 3+2 years, with an option by the issuer to adjust the coupon rate and an investor's resell option at the end of third year.

(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 National Administration of Financial Regulation.

(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 March 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.

IV. EXPLANATORY NOTES (Continued)

43. Contract liabilities

| | As at 30 June 2023 (Unaudited) | As at 31 December 2022 (Audited) |
|--|---|---|
| Sales proceeds received in advance (1) | 9,051,838 | 7,223,029 |
| Others | 438,520 | 302,612 |
| | <u>9,490,358</u> | <u>7,525,641</u> |

(1) Sales proceeds received in advance

| | For the six months ended 30 June | |
|---|-------------------------------------|---------------------|
| | 2023 (Unaudited) | 2022 (Unaudited) |
| At beginning of the period | 7,223,029 | 13,287,716 |
| Deferred during the period | 4,148,534 | 5,266,119 |
| Recognized as revenue during the period | (2,319,725) | (7,022,605) |
| | <u>9,051,838</u> | <u>11,531,230</u> |

As at 30 June 2023, contract liabilities of the Group were mainly sales proceeds received in advance by Cinda Real Estate.

44. Other liabilities

| | As at 30 June 2023 (Unaudited) | As at 31 December 2022 (Audited) |
|--|---|---|
| Other payables | 25,511,221 | 24,958,981 |
| Risk deposit | 6,093,591 | 5,865,718 |
| Payables to interest holders of consolidated structured entities (Note IV.27) | 5,846,500 | 4,215,054 |
| Staff costs payable | 5,274,601 | 6,323,079 |
| Receipts in advance associated with disposal of distressed assets | 4,233,992 | 2,768,527 |
| Dividends payable | 1,926,536 | 2,000 |
| Sundry taxes payable | 1,388,049 | 1,445,261 |
| Lease liabilities | 963,536 | 1,035,250 |
| Items in the process of clearance and settlement | 761,611 | 147,843 |
| Provisions | 556,144 | 779,128 |
| Long-term payable | 484,726 | 565,568 |
| Deferred income related to leasing business | 456,440 | 625,732 |
| Notes payable | 363,779 | 451,493 |
| Receipts in advance | 337,241 | 393,626 |
| Liabilities with continuing involvement (Note VI.52) | 322,620 | 322,620 |
| Others | 794,922 | 664,911 |
| | <u>55,315,509</u> | <u>50,564,791</u> |

IV. EXPLANATORY NOTES (Continued)

45. Share capital

| | For the six months ended 30 June 2023 (Unaudited) | For the year ended 31 December 2022 (Audited) |
|------------------------------------|---|---|
| Authorized, issued and fully paid: | | |
| At beginning of the period/year | <u>38,164,535</u> | <u>38,164,535</u> |
| Issue of shares | | |
| At end of the period/year | <u><u>38,164,535</u></u> | <u><u>38,164,535</u></u> |

A summary of the movements of the Company's issued shares (in thousands of shares) during the six months ended 30 June 2023 and the year ended 31 December 2022 is as follows:

| | 2023 (Unaudited) | | | As at June 30 |
|-----------------|--------------------------|-----------------|-----------------|--------------------------|
| | As at January 1 | Issuance | Transfer | |
| Domestic shares | | | | |
| – MOF | 22,137,239 | – | – | 22,137,239 |
| – NCSSF | 2,459,693 | – | – | 2,459,693 |
| H shares | <u>13,567,603</u> | <u>–</u> | <u>–</u> | <u>13,567,603</u> |
| Total | <u><u>38,164,535</u></u> | <u><u>–</u></u> | <u><u>–</u></u> | <u><u>38,164,535</u></u> |
| | | | | |
| | 2022 (Audited) | | | |
| | As at January 1 | Issuance | Transfer | As at December 31 |
| Domestic shares | | | | |
| – MOF | 22,137,239 | – | – | 22,137,239 |
| – NCSSF | 2,459,693 | – | – | 2,459,693 |
| H shares | <u>13,567,603</u> | <u>–</u> | <u>–</u> | <u>13,567,603</u> |
| Total | <u><u>38,164,535</u></u> | <u><u>–</u></u> | <u><u>–</u></u> | <u><u>38,164,535</u></u> |

During the six months ended 30 June 2023 and the year ended 31 December 2022, there were no shares subject to any lock-up restriction of the Group.

IV. EXPLANATORY NOTES (Continued)

46. Other equity instruments

For the period ended 30 June 2023, the movements of the Company's other equity instruments were as follows:

| | 2023 (Unaudited) | | | | | | | |
|------------------------------|-----------------------------------|---------------------------------|-----------------------------------|---------------------------------|-----------------------------------|---------------------------------|-----------------------------------|---------------------------------|
| | As at January 1 | | Increase | | Decrease | | As at 30 June | |
| | 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 (1) | | | | | | | | |
| – 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 | <u>305,000</u> | <u>32,748,001</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>305,000</u> | <u>32,748,001</u> |

- (1) The duration of the above bonds is the same as the period of continuing operation of the Company. Subject to the satisfaction of the redemption conditions and having obtained the prior approval of the National Administration of Financial Regulation, 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 are paid with non-cumulative interest. The Company shall have the right to cancel distributions on the above bonds in whole or in part and such cancellation shall not constitute a default. The Company may at its discretion utilize the proceeds from the cancelled distributions to meet other obligations of maturing debts. But the Company shall not distribute profits to ordinary shareholders until the resumption of full 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.

47. Capital reserve

The balance of capital reserve mainly represents share premium arising from the Company's initial public offering of H shares and other previous shares issuances in current period and prior years.

IV. EXPLANATORY NOTES (Continued)

48. Other comprehensive income

Other comprehensive income attributable to equity holders of the Company is set out below:

| | For the six months ended 30 June 2023 (Unaudited) | For the year ended 31 December 2022 (Audited) |
|--|--|---|
| At beginning of the period/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 period | 434,368 | (2,296,003) |
| Amounts reclassified to profit or loss upon disposal | (79,972) | 291,477 |
| Amounts of profit or loss upon impairment | (205,940) | 138,211 |
| Income tax effect | (84,390) | 332,294 |
| | 64,066 | (1,534,021) |
| Exchange differences arising on translation of foreign operations | 238,459 | 759,859 |
| Share of other comprehensive income of associates and joint ventures | 45,918 | 6,866 |
| Income tax effect | (11,993) | (12,137) |
| Subtotal | 336,450 | (779,433) |
| Items that will not be reclassified subsequently to profit or loss: | | |
| Remeasurement of supplementary retirement benefits | – | 41,975 |
| Income tax effect | – | (6,926) |
| | – | 35,049 |
| Fair value changes on equity instruments designated as at fair value through other comprehensive income | 1,069,531 | (3,223,974) |
| Other comprehensive income carried forward to retained earnings | (32,268) | – |
| Income tax effect | (267,263) | 799,721 |
| Share of other comprehensive income of associates and joint ventures | – | (2,470) |
| Income tax effect | – | – |
| Subtotal | 770,000 | (2,391,674) |
| Other comprehensive income for the period/year | 1,106,450 | (3,171,107) |
| At end of the period/year | (3,436,835) | (4,543,285) |

IV. EXPLANATORY NOTES (Continued)

49. General reserve

Pursuant to the Administrative Measures for the Provision of Reserves of Financial Enterprises (Caijin [2012] No. 20) issued by the MOF, the Company is required to maintain a general reserve at no less than 1.5% of its risk assets at the end of the reporting period, and the minimum requirement can be achieved over a period of no more than five years, starting from 1 July 2012.

Pursuant to regulatory requirements in the PRC, some domestic subsidiaries of the Company are required to transfer a certain amount of net profit to general reserve. The appropriation of the general reserve is accounted for as distribution of retained earnings.

For the six months ended 30 June 2023, the Group transferred RMB293.65 million to the general reserve pursuant to the regulatory requirements in the PRC (for the six months ended 30 June 2022, the Group reversed RMB212.29 million from the general reserve).

50. Cash and cash equivalents

For the purpose of the interim condensed consolidated statement of cash flows, cash and cash equivalents represent as the following:

| | As at 30 June 2023 (Unaudited) | As at 31 December 2022 (Audited) |
|--|---|---|
| Cash | 588,507 | 527,836 |
| Balances with central banks | 7,202,764 | 9,643,524 |
| Deposits with banks and financial institutions | 87,420,200 | 78,913,566 |
| Placements with banks and financial institutions | 13,239,199 | 31,419,963 |
| Financial assets held under resale agreements | 499,743 | 24,907,088 |
| | <u>108,950,413</u> | <u>145,411,977</u> |

51. Contingent liabilities and commitments

(1) Legal proceedings

The Group is involved as a defendant in certain lawsuits arising from its normal business operations. As at 30 June 2023 and 31 December 2022, the total claim amounts of pending litigations for the Group were RMB2,405.94 million and RMB2,177.96 million, and provisions of RMB6.73 million and RMB3.09 million for the Group were made based on court judgments or the advice of legal counsels. The directors of the Company believe that the final result of these lawsuits will not have a material impact on the financial position or operations of the Group.

IV. EXPLANATORY NOTES (Continued)

51. Contingent liabilities and commitments (Continued)

(2) Credit commitments

| | As at 30 June 2023 (Unaudited) | As at 31 December 2022 (Audited) |
|----------------------------------|---|---|
| Bank bill acceptance | 29,884,728 | 41,884,108 |
| Loan commitments (i) | 14,273,405 | 15,322,797 |
| Letters of guarantee issued | 6,448,094 | 8,074,233 |
| Letters of credit issued | 4,791,624 | 3,520,795 |
| Undrawn credit card commitments | 519,874 | 487,659 |
| Others | 1,415 | 2,672 |
| | <u>55,919,140</u> | <u>69,292,264</u> |
| Total | <u>55,919,140</u> | <u>69,292,264</u> |
| Impairment of credit commitments | <u>(132,872)</u> | <u>(171,401)</u> |

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 30 June 2023, the unconditionally revocable loan commitments of the Group amounted to RMB113,238.81 million (31 December 2022: RMB102,456.09 million).

(3) Capital commitments

| | As at 30 June 2023 (Unaudited) | As at 31 December 2022 (Audited) |
|--|---|---|
| Contracted but not provided for | | |
| Commitment for the acquisition of properties under development | - | - |
| Commitments for the acquisition of Property and equipment | 880,211 | 645,675 |
| | <u>880,211</u> | <u>645,675</u> |
| Total | <u>880,211</u> | <u>645,675</u> |

(4) Other commitments

As a result of the purchase commitments and guarantees provided by the Group, the Group has the ability to use its power over the structured entities to affect their returns and is exposed to significant variable returns and the structured entities. These structured entities have been consolidated into the Group's financial statements.

IV. EXPLANATORY NOTES (Continued)

52. Transfers of financial assets

(1) Repurchase agreements

The Group entered into sales agreements with certain counterparties on its financial assets, in which the Group was subject to simultaneous agreements with commitments to repurchase these financial assets at specified future dates and prices. As stipulated in the repurchase agreements, there was no transfer of the legal ownership of these financial assets to the counterparties during the covered period. However, the Group is not allowed to sell or pledge these financial assets during the covered period unless both parties mutually agree with such arrangement. Accordingly, the Group has determined that it retains substantially all the risks and rewards of these financial assets, and therefore, these financial assets have not been derecognized from the financial statements but are regarded as “collateral” for the secured lending from the counterparties. Normally, the counterparties could only claim from the collateral when there is an event of default on the secured lending.

| | Carrying amount of pledged assets | | Related liabilities | |
|--|--------------------------------------|---------------------|---------------------|---------------------|
| | June 30 2023 | December 31 2022 | June 30 2023 | December 31 2022 |
| Financial assets at fair value through profit or loss | 6,444,297 | 11,797,962 | 4,078,884 | 11,791,273 |
| Financial assets at fair value through other comprehensive income | 44,670,983 | 30,642,484 | 35,921,312 | 30,632,178 |
| Finance lease receivables | 1,288,476 | 1,135,286 | 1,002,085 | 1,002,194 |
| Total | <u>52,403,756</u> | <u>43,575,732</u> | <u>41,002,281</u> | <u>43,425,645</u> |

(2) Asset-backed securities

The Group enters into securitization transactions, by which it transfers financial assets to structured entities which issue asset-backed securities to investors. The Group assessed, among other factors, whether or not to derecognize the transferred assets by evaluating the extent to which it retains the risks and rewards of the assets and whether it has relinquished its control over these assets.

With respect to the securitization of financial assets that do not qualify for derecognition, the relevant financial assets are not derecognized, and the consideration paid by third parties is recorded as a financial liability. As at 30 June 2023, the Group’s carrying amount of transferred assets that did not qualify for derecognition was RMB18,008.87 million (31 December 2022: RMB13,827.49 million), and the carrying amount of their associated liabilities was RMB31,123.44 million (31 December 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. The corresponding total carrying amount of asset-backed securities held by the Group in the securitization transactions was nil as at 30 June 2023 and 31 December 2022.

IV. EXPLANATORY NOTES (Continued)

52. Transfers of financial assets (Continued)

(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 six months ended 30 June 2023 and 30 June 2022, the Group has not recognized any transferred financial assets in which the Group had continuing involvement. As at 30 June 2023, the carrying amount of continuing involvement assets recognized by the Group was RMB322.62 million (As at 31 December 2022: RMB322.62 million), which were recognized in financial assets at fair value through profit or loss. The Group also recognized other assets and other liabilities of the same amount arising from such continuing involvement.

53. Segment information

Information relating to business lines is reported to the Board of Directors of the Company and its relevant management committees, being the chief operating decision makers, for the purposes of resource allocation and assessment of segment performance. Profit before tax is the measure of segment profit or loss reviewed by the chief operating decision makers.

Measurement of segment assets and liabilities and segment income and results is based on the Group's accounting policies. Segment information is prepared in conformity with the accounting policies adopted for preparing and presenting the financial statements of the Group. Segment income, results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

Distressed asset management operations

The distressed asset management segment comprises the relevant business operated by the Company and certain of its subsidiaries, including (1) management and disposal of distressed debt assets acquired from financial institutions and non-financial enterprises; (2) operation, management and disposal of debt to equity swap assets; (3) restructuring, special opportunity business and other debt businesses and equity businesses related to distressed assets and distressed entities in the comprehensive operation method; and (4) custody businesses.

Financial services operations

The Group's financial services segment comprises the relevant business of the Group, including the provision of financial services in sectors such as banking, securities, futures, public offering fund, trust and lease businesses. These operations were mainly carried out by the subsidiaries of the Company.

There is no significant customer concentration of the Group's business. There is no customer contributing more than 10% of the Group's revenue.

IV. EXPLANATORY NOTES (Continued)

53. Segment information (Continued)

| | (Unaudited) | | | |
|---|-----------------------------------|-----------------------|------------------|---------------------|
| | Distressed asset management | Financial services | Elimination | Consolidated |
| For the six months ended 30 June 2023 | | | | |
| Income from distressed debt assets at amortized cost | 3,912,085 | – | – | 3,912,085 |
| Fair value changes on distressed debt assets | 2,836,255 | – | – | 2,836,255 |
| Fair value changes on other financial instruments | 3,955,298 | 950,697 | – | 4,905,995 |
| Investment income | (225,644) | 484,524 | – | 258,880 |
| Interest income | 4,435,826 | 11,745,753 | (61,357) | 16,120,222 |
| Revenue from sales of inventories | 2,132,809 | – | – | 2,132,809 |
| Commission and fee income | 347,137 | 2,351,585 | (49,110) | 2,649,612 |
| Net gains on disposal of subsidiaries, associates and joint ventures | 296,918 | – | – | 296,918 |
| Other income and other net gains or losses | 1,259,473 | (13,897) | (60,648) | 1,184,928 |
| Total | 18,950,157 | 15,518,662 | (171,115) | 34,297,704 |
| Interest expense | (14,437,744) | (7,251,556) | 130,885 | (21,558,415) |
| Employee benefits | (1,252,363) | (1,793,196) | – | (3,045,559) |
| Purchases and changes in inventories | (1,812,677) | – | – | (1,812,677) |
| Commission and fee expense | (51,396) | (364,137) | 2,442 | (413,091) |
| Taxes and surcharges | (164,024) | (68,533) | – | (232,557) |
| Depreciation and amortization expenses | (519,341) | (481,629) | 36,917 | (964,053) |
| Other expenses | (750,019) | (753,217) | 20,476 | (1,482,760) |
| Credit impairment losses | (1,610,689) | (1,497,344) | – | (3,108,033) |
| Impairment losses on other assets | (3,607) | – | – | (3,607) |
| Total | (20,601,860) | (12,209,612) | 190,720 | (32,620,752) |

IV. EXPLANATORY NOTES (Continued)

53. Segment information (Continued)

| | (Unaudited) | | | |
|---|-----------------------------------|-----------------------|--------------|----------------------|
| | Distressed asset management | Financial services | Elimination | Consolidated |
| Change in net assets attributable to other holders of consolidated structured entities | (42,943) | (8,404) | - | (51,347) |
| Profit before share of results of associates and joint ventures and tax | (1,694,646) | 3,300,646 | 19,605 | 1,625,605 |
| Share of results of associates and joint ventures | 3,715,305 | 8,592 | - | 3,723,897 |
| Profit before tax | 2,020,659 | 3,309,238 | 19,605 | 5,349,502 |
| Income tax expense | | | | (828,906) |
| Profit for the period | | | | <u>4,520,596</u> |
| Capital expenditure | <u>242,722</u> | <u>98,384</u> | <u>-</u> | <u>341,106</u> |
| As at 30 June 2023 | | | | |
| Segment assets | 959,086,331 | 644,258,905 | (20,571,415) | 1,582,773,821 |
| Including: Interests in associates and joint ventures | 90,661,667 | 448,165 | - | 91,109,832 |
| Unallocated assets | | | | <u>11,235,454</u> |
| Total assets | | | | <u>1,594,009,275</u> |
| Segment liabilities | 831,407,989 | 554,959,122 | (12,076,656) | 1,374,290,455 |
| Unallocated liabilities | | | | <u>3,761,459</u> |
| Total liabilities | | | | <u>1,378,051,914</u> |

IV. EXPLANATORY NOTES (Continued)

53. Segment information (Continued)

| | (Unaudited) | | | |
|---|-----------------------------------|-----------------------|------------------|---------------------|
| | Distressed asset management | Financial services | Elimination | Consolidated |
| For the six months ended 30 June 2022 | | | | |
| Income from distressed debt assets at amortized cost | 5,549,728 | – | – | 5,549,728 |
| Fair value changes on distressed debt assets | 6,223,338 | – | – | 6,223,338 |
| Fair value changes on other financial instruments | 4,155,666 | 542,135 | – | 4,697,801 |
| Investment income | (262,478) | 418,963 | – | 156,485 |
| Interest income | 4,763,509 | 7,442,208 | (66,179) | 12,139,538 |
| Revenue from sales of inventories | 7,039,007 | – | – | 7,039,007 |
| Commission and fee income | 199,808 | 2,270,280 | (18,398) | 2,451,690 |
| Net gains on disposal of subsidiaries, associates and joint ventures | 1,246,300 | 230 | – | 1,246,530 |
| Other income and other net gains or losses | 1,384,509 | 409,764 | (40,147) | 1,754,126 |
| Total | 30,299,387 | 11,083,580 | (124,724) | 41,258,243 |
| Interest expense | (16,057,007) | (3,935,701) | 140,034 | (19,852,674) |
| Employee benefits | (940,355) | (1,752,640) | – | (2,692,995) |
| Purchases and changes in inventories | (5,914,865) | – | – | (5,914,865) |
| Commission and fee expense | (55,270) | (250,904) | 3,136 | (303,038) |
| Taxes and surcharges | (239,871) | (60,739) | – | (300,610) |
| Depreciation and amortization expenses | (596,059) | (448,833) | 39,601 | (1,005,291) |
| Other expenses | (866,912) | (779,631) | 7,811 | (1,638,732) |
| Credit impairment losses | (4,908,058) | (853,117) | – | (5,761,175) |
| Impairment losses on other assets | (115,455) | – | – | (115,455) |
| Total | (29,693,852) | (8,081,565) | 190,582 | (37,584,835) |

IV. EXPLANATORY NOTES (Continued)

53. Segment information (Continued)

| | (Unaudited) | | | |
|---|-----------------------------------|-----------------------|--------------|----------------------|
| | Distressed asset management | Financial services | Elimination | Consolidated |
| Change in net assets attributable to other holders of consolidated structured entities | (6,771) | (2,246) | – | (9,017) |
| Profit before share of results of associates and joint ventures and tax | 598,764 | 2,999,769 | 65,858 | 3,664,391 |
| Share of results of associates and joint ventures | 3,383,343 | (15,298) | – | 3,368,045 |
| Profit before tax | 3,982,107 | 2,984,471 | 65,858 | 7,032,436 |
| Income tax expense | | | | (2,051,987) |
| Profit for the period | | | | <u>4,980,449</u> |
| Capital expenditure | <u>43,781</u> | <u>1,022,097</u> | <u>–</u> | <u>1,065,878</u> |
| As at 31 December 2022 | | | | |
| Segment assets | 991,887,849 | 633,542,503 | (20,632,206) | 1,604,798,146 |
| Including: Interests in associates and joint ventures | 87,111,402 | 430,832 | – | 87,542,234 |
| Unallocated assets | | | | <u>11,190,829</u> |
| Total assets | | | | <u>1,615,988,975</u> |
| Segment liabilities | 869,969,058 | 552,927,018 | (19,062,520) | 1,403,833,556 |
| Unallocated liabilities | | | | <u>4,160,297</u> |
| Total liabilities | | | | <u>1,407,993,853</u> |

IV. EXPLANATORY NOTES (Continued)

54. Related party transactions

(1) The MOF

As at 30 June 2023, the MOF directly owned 58.00% (31 December 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 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 30 June 2023 (Unaudited) | As at 31 December 2022 (Audited) |
|---|---|---|
| Financial assets at fair value through other comprehensive income | 29,763,904 | 33,196,519 |
| Financial assets at fair value through profit or loss | – | 53,038 |
| Accounts receivable | 1,597 | 1,597 |

The Group entered into the following transactions with the MOF:

| | For the six months ended 30 June 2023 (Unaudited) | 2022 (Unaudited) |
|-------------------|--|-----------------------------|
| Interest income | 387,370 | 386,607 |
| Investment income | 90,438 | 23,612 |

Transactions between the Group and the MOF are mainly investments of treasury bonds issued by the MOF and held by the Group.

IV. EXPLANATORY NOTES (Continued)

54. Related party transactions (Continued)

(2) Subsidiaries

The Company had the following balances with its subsidiaries:

| | As at 30 June 2023 (Unaudited) | As at 31 December 2022 (Audited) |
|---|---|---|
| Amounts due from subsidiaries | 38,892,185 | 33,398,209 |
| Financial assets at fair value through profit or loss | 990,414 | 837,399 |
| Placement with banks and financial institutions | – | 400,090 |
| Lease liabilities | 322,901 | 382,997 |
| Right-of-use assets | 309,565 | 368,583 |
| Bonds issued | 296,420 | 313,682 |
| Other payables | 167,027 | 130,180 |
| Property and equipment | 14,217 | 14,508 |

The Company had entered into the following transactions with its subsidiaries:

| | For the six months ended 30 June 2023 (Unaudited) | 2022 (Unaudited) |
|---|--|---------------------|
| Interest income | 486,379 | 327,540 |
| Interest expense | 61,831 | 71,748 |
| Depreciation expenses of right-of-use assets | 58,595 | 62,287 |
| Dividend income | 32,148 | 38,397 |
| Fair value changes on other financial instruments | 22,539 | 32,811 |
| Other expenses | 39,930 | 27,242 |
| Rental income | 12,699 | 10,101 |
| Depreciation and amortization expenses | 291 | 291 |
| Other income and other net gains or losses | – | 1,845 |

IV. EXPLANATORY NOTES (Continued)

54. Related party transactions (Continued)

(3) Associates and joint ventures

The Group had the following balances and transactions with its associates and joint ventures, entities that it does not control but exercise significant influence or joint control. These transactions were carried out in the ordinary course of business.

The Group had the following balances with its associates and joint ventures:

| | As at 30 June 2023 (Unaudited) | As at 31 December 2022 (Audited) |
|---|---|---|
| Loans and advances to customers | 3,690,903 | 4,146,592 |
| Other payables | 566,413 | 869,116 |
| Risk deposit | 106,424 | 120,500 |
| Dividend receivable | 45,000 | 45,000 |
| Other receivables | 27,440 | 38,523 |
| Deferred income related to leasing business | 5,597 | 8,428 |

The Group had the following transactions with its associates and joint ventures:

| | For the six months ended 30 June 2023 (Unaudited) | 2022 (Unaudited) |
|-------------------|--|-----------------------------|
| Dividend received | 1,104,798 | 1,138,400 |
| Interest income | 216,716 | 251,882 |
| Others | – | 4,274 |

IV. EXPLANATORY NOTES (Continued)

54. Related party transactions (Continued)

(4) *Government-related entities*

Other than those disclosed above, the Group has also entered into transactions with government-related entities. These transactions are entered into under normal commercial terms and conditions.

Management considers that transactions with government-related entities are activities conducted in the ordinary course of business, and that the dealings of the Group have not been significantly or unduly affected by the fact that both the Group and those entities are government-related. The Group has also established pricing policies for products and services and such pricing policies do not depend on whether or not the customers are government-related entities.

(5) *Annuity scheme*

The Group had the following transactions with the annuity scheme set up by the Company:

| | For the six months ended 30 June | |
|------------------------------------|---|----------------|
| | 2023 | 2022 |
| | (Unaudited) | (Unaudited) |
| Contribution to the annuity scheme | <u>161,531</u> | <u>121,394</u> |

(6) *Key management remuneration*

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, including directors and executive officers. The aggregate compensation paid/payable to senior management for employment services is as follows:

| | For the six months ended 30 June | |
|--|---|--------------|
| | 2023 | 2022 |
| | (Unaudited) | (Unaudited) |
| Emoluments of key management personnel | <u>5,437</u> | <u>5,663</u> |

- (7) During the period, the Group and the Company did not conduct any connected transactions or continuing connected transactions required to be reported, announced or approved by independent shareholders under Chapter 14A “Connected Transactions” of the Listing Rules.

IV. EXPLANATORY NOTES (Continued)

55. Financial risk management

The types of risk to which the Group is exposed include credit risk, market risk and liquidity risk. Market risk includes interest rate risk, foreign exchange risk and price risk. The Group's primary objectives and policies of risk management and risk management framework are the same as those set out in the Group's consolidated financial statements for the year ended 31 December 2022.

55.1 Credit risk

55.1.1 Credit risk management

Credit risk represents the potential loss that may arise from a customer or counterparty's failure to meet its obligation. Credit risk can also arise from operational failures that result in an unauthorized or inappropriate advance, commitment or investment of funds. The Group's major credit risks arise from distressed debt assets at amortized cost, loans and advances to customers and other debt or security investments held by the Group.

The Group performed the assessment of expected credit losses with the reference to forward-looking information and used a number of models and assumptions in the measurement of expected credit losses. These models and assumptions related to the future macroeconomic situation and the credit status of the borrowers (for example, the possibility of default by the customers and the corresponding loss). The Group assessed the expected credit losses as at 30 June 2023 and comprehensively considered the impacts of current economic conditions on expected credit losses, including performing forward-looking forecasts to key macroeconomic indicators and assessment of scenario weights.

As at 30 June 2023, the expected credit losses comprehensively reflected the Group's credit risk and the expectations for macroeconomic development of management.

55.1.2 Maximum exposure to credit risk before taking into account any collateral held or other credit enhancements

The maximum exposure to credit risk represents the credit risk exposure to the Group at the end of the reporting period without taking into account any collateral held or other credit enhancements. The exposure to credit risk at the end of each reporting period mainly arises from distressed debt assets acquired from financial institutions and non-financial institutions, loans and advances to customers and treasury operations.

IV. EXPLANATORY NOTES (Continued)

55. Financial risk management (Continued)

55.1 Credit risk (Continued)

55.1.2 Maximum exposure to credit risk before taking into account any collateral held or other credit enhancements (Continued)

The maximum exposure to credit risk at the end of each reporting period is as follows:

| | As at 30 June 2023 (Unaudited) | As at 31 December 2022 (Audited) |
|---|---|---|
| On-balance sheet | | |
| Balances with central banks | 13,637,879 | 16,149,540 |
| Deposits with banks and financial institutions | 107,256,717 | 97,830,088 |
| Deposits with exchanges and others | 2,356,162 | 2,334,962 |
| Placements with banks and financial institutions | 13,257,806 | 34,424,999 |
| Financial assets at fair value through profit or loss | 182,778,659 | 141,875,156 |
| Financial assets held under resale agreements | 3,030,913 | 30,075,367 |
| Financial assets at fair value through other comprehensive income | 139,339,712 | 124,934,251 |
| Financial assets at amortized cost | 147,625,656 | 169,994,310 |
| Loans and advances to customers | 407,505,793 | 396,529,988 |
| Accounts receivable | 4,388,871 | 4,803,330 |
| Other assets | 15,730,765 | 11,823,966 |
| Subtotal | <u>1,036,908,932</u> | <u>1,030,775,957</u> |
| Off-balance sheet | | |
| Bank bill acceptance | 29,884,728 | 41,884,108 |
| Loan commitments | 14,273,405 | 15,322,797 |
| Letters of guarantee issued and other credit commitments | 11,761,007 | 12,085,359 |
| Subtotal | <u>55,919,140</u> | <u>69,292,264</u> |
| Total | <u><u>1,092,828,072</u></u> | <u><u>1,100,068,221</u></u> |

IV. EXPLANATORY NOTES (Continued)

55. Financial risk management (Continued)

55.1 Credit risk (Continued)

55.1.2 Maximum exposure to credit risk before taking into account any collateral held or other credit enhancements (Continued)

Among the distressed debt assets at fair value through profit or loss, the distressed assets contain certain elements of credit risk. The risks that such assets are exposed to are the same as those set out in the Group's consolidated financial statements for the year ended 31 December 2022. The carrying amount of distressed debt assets at fair value through profit or loss of the Group as at 30 June 2023 amounted to RMB238,959.05 million (31 December 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.

55.1.3 Risk concentration of distressed debt assets and loans and advances to customers at amortized cost

| | As at 30 June 2023 (Unaudited) | As at 31 December 2022 (Audited) |
|---------------------------------|---|---|
| Distressed debt assets | 88,181,274 | 113,472,389 |
| Loans and advances to customers | <u>401,333,208</u> | <u>392,367,947</u> |
| Subtotal | <u>489,514,482</u> | <u>505,840,336</u> |
| Allowance for impairment losses | | |
| Distressed debt assets | (13,010,873) | (13,230,434) |
| Loans and advances to customers | <u>(11,264,389)</u> | <u>(10,274,576)</u> |
| Subtotal | <u>(24,275,262)</u> | <u>(23,505,010)</u> |
| Net carrying amounts | | |
| Distressed debt assets | 75,170,401 | 100,241,955 |
| Loans and advances to customers | <u>390,068,819</u> | <u>382,093,371</u> |
| Total | <u><u>465,239,220</u></u> | <u><u>482,335,326</u></u> |

IV. EXPLANATORY NOTES (Continued)

55. Financial risk management (Continued)

55.1 Credit risk (Continued)

55.1.3 Risk concentration of distressed debt assets and loans and advances to customers at amortized cost (Continued)

By geographical area

| Area | As at 30 June 2023 (Unaudited) | | As at 31 December 2022 (Audited) | |
|---------------------|-----------------------------------|--------------|-------------------------------------|--------------|
| | Gross amount | % | Gross amount | % |
| Overseas | 174,467,140 | 35.6 | 169,827,747 | 33.5 |
| Bohai Rim | 99,824,861 | 20.4 | 70,613,011 | 14.0 |
| Yangtze River Delta | 55,396,645 | 11.3 | 67,153,774 | 13.3 |
| Central Region | 53,321,603 | 10.9 | 66,281,530 | 13.1 |
| Western Region | 50,822,505 | 10.4 | 65,378,297 | 12.9 |
| Pearl River Delta | 47,864,017 | 9.8 | 55,657,279 | 11.0 |
| Northeastern Region | 7,817,711 | 1.6 | 10,928,698 | 2.2 |
| Total | <u>489,514,482</u> | <u>100.0</u> | <u>505,840,336</u> | <u>100.0</u> |

Notes:

| | |
|----------------------|--|
| Overseas: | Including Hong Kong and other overseas regions. |
| Western Region: | Including Chongqing, Sichuan, Guizhou, Yunnan, Shaanxi, Guangxi, Gansu, Qinghai, Xinjiang, Ningxia and Inner Mongolia. |
| Bohai Rim: | Including Beijing, Tianjin, Hebei and Shandong. |
| Central Region: | Including Shanxi, Henan, Hunan, Hubei, Anhui, Jiangxi and Hainan. |
| Yangtze River Delta: | Including Shanghai, Jiangsu and Zhejiang. |
| Pearl River Delta: | Including Guangdong, Shenzhen and Fujian. |
| Northeastern Region: | Including Liaoning, Jilin and Heilongjiang. |

IV. EXPLANATORY NOTES (Continued)

55. Financial risk management (Continued)

55.1 Credit risk (Continued)

55.1.3 Risk concentration of distressed debt assets and loans and advances to customers at amortized cost (Continued)

By industry

| Mining | As at 30 June 2023 (Unaudited) | | As at 31 December 2022 (Audited) | |
|--|---|--------------|---|----------|
| Industry | Gross amount | % | Gross amount | % |
| Corporate business | | | | |
| Real estate | 158,604,750 | 32.4 | 124,205,175 | 24.6 |
| Leasing and commercial services | 53,739,466 | 11.0 | 62,603,027 | 12.4 |
| Manufacturing | 51,696,189 | 10.6 | 58,061,176 | 11.5 |
| Finance | 40,603,266 | 8.3 | 38,472,993 | 7.6 |
| Production and supply of power, heat, gas and water | 17,201,855 | 3.5 | 34,599,949 | 6.8 |
| Construction | 29,642,785 | 6.1 | 29,165,796 | 5.8 |
| Wholesale and retail trade | 17,304,417 | 3.5 | 18,507,894 | 3.7 |
| Mining | 12,515,868 | 2.5 | 15,633,212 | 3.1 |
| Others | 49,026,988 | 10.0 | 64,970,687 | 12.7 |
| Subtotal | 430,335,584 | 87.9 | 446,219,909 | 88.2 |
| Personal business | | | | |
| Mortgage | 26,287,460 | 5.4 | 27,249,679 | 5.4 |
| Personal consumption loans | 22,705,354 | 4.6 | 22,825,127 | 4.5 |
| Subtotal | 48,992,814 | 10.0 | 50,074,806 | 9.9 |
| Loans to margin clients | 10,186,084 | 2.1 | 9,545,621 | 1.9 |
| Total | 489,514,482 | 100.0 | 505,840,336 | 100.0 |

IV. EXPLANATORY NOTES (Continued)

55. Financial risk management (Continued)

55.1 Credit risk (Continued)

55.1.3 Risk concentration of distressed debt assets and loans and advances to customers at amortized cost (Continued)

By security type

| | As at 30 June 2023 (Unaudited) | | As at 31 December 2022 (Audited) | |
|------------|-----------------------------------|--------------|-------------------------------------|--------------|
| | Gross amount | % | Gross amount | % |
| Unsecured | 156,842,268 | 32.04 | 155,466,422 | 30.7 |
| Guaranteed | 76,857,825 | 15.70 | 85,144,849 | 16.8 |
| Mortgaged | 140,792,246 | 28.76 | 167,380,415 | 33.1 |
| Pledged | 115,022,143 | 23.50 | 97,848,650 | 19.4 |
| Total | <u>489,514,482</u> | <u>100.0</u> | <u>505,840,336</u> | <u>100.0</u> |

55.1.4 Past due distressed debt assets and loans and advances to customers at amortized cost

| | Gross amount as at 30 June 2023 (Unaudited) | | | | |
|------------------------------------|--|--|--|----------------|-------------------|
| | Up to 90 days (Including 90 days) | 91 to 360 days (Including 360 days) | 361 days to 3 years (Including 3 years) | Over 3 years | Total |
| Distressed debt assets | 3,731,734 | 3,768,632 | 7,454,966 | 190,632 | 15,145,964 |
| Loans and advances to customers | <u>4,766,942</u> | <u>3,639,778</u> | <u>1,615,137</u> | <u>446,970</u> | <u>10,468,827</u> |
| Total | <u>8,498,676</u> | <u>7,408,410</u> | <u>9,070,103</u> | <u>637,602</u> | <u>25,614,791</u> |
| | Gross amount as at 31 December 2022 (Audited) | | | | |
| | Up to 90 days (Including 90 days) | 91 to 360 days (Including 360 days) | 361 days to 3 years (Including 3 years) | Over 3 years | Total |
| Distressed debt assets | 4,430,668 | 5,299,749 | 6,119,613 | 190,632 | 16,040,662 |
| Loans and advances to customers | <u>7,774,151</u> | <u>9,765,283</u> | <u>1,394,817</u> | <u>752,473</u> | <u>19,686,724</u> |
| Total | <u>12,204,819</u> | <u>15,065,032</u> | <u>7,514,430</u> | <u>943,105</u> | <u>35,727,386</u> |

IV. EXPLANATORY NOTES (Continued)

55. Financial risk management (Continued)

55.1 Credit risk (Continued)

55.1.5 Credit quality of distressed debt assets and loans and advances to customers at amortized cost

| | As at 30 June 2023 (Unaudited) | As at 31 December 2022 (Audited) |
|---------------------------------|---|---|
| Neither past due nor impaired | 461,968,829 | 468,192,420 |
| Past due but not impaired (1) | 6,979,203 | 19,702,347 |
| Impaired (2) | <u>20,566,450</u> | <u>17,945,569</u> |
| Subtotal | <u>489,514,482</u> | <u>505,840,336</u> |
| Allowance for impairment losses | <u>(24,275,262)</u> | <u>(23,505,010)</u> |
| Net carrying amount | <u><u>465,239,220</u></u> | <u><u>482,335,326</u></u> |

(1) Past due but not impaired

| | Gross amount as at 30 June 2023 (Unaudited) | | | | |
|------------------------------------|--|--|--|-----------------|-------------------------|
| | Up to 90 days (Including 90 days) | 91 to 360 days (Including 360 days) | 361 days to 3 years (Including 3 years) | Over 3 years | Total |
| Distressed debt assets | 2,957,264 | 243,932 | – | – | 3,201,196 |
| Loans and advances to customers | <u>3,778,007</u> | <u>–</u> | <u>–</u> | <u>–</u> | <u>3,778,007</u> |
| Total | <u><u>6,735,271</u></u> | <u><u>243,932</u></u> | <u><u>–</u></u> | <u><u>–</u></u> | <u><u>6,979,203</u></u> |

| | Gross amount as at 31 December 2022 (Audited) | | | | |
|------------------------------------|--|--|--|-----------------|--------------------------|
| | Up to 90 days (Including 90 days) | 91 to 360 days (Including 360 days) | 361 days to 3 years (Including 3 years) | Over 3 years | Total |
| Distressed debt assets | 4,430,668 | 447,198 | – | – | 4,877,866 |
| Loans and advances to customers | <u>7,211,963</u> | <u>7,612,518</u> | <u>–</u> | <u>–</u> | <u>14,824,481</u> |
| Total | <u><u>11,642,631</u></u> | <u><u>8,059,716</u></u> | <u><u>–</u></u> | <u><u>–</u></u> | <u><u>19,702,347</u></u> |

IV. EXPLANATORY NOTES (Continued)

55. Financial risk management (Continued)

55.1 Credit risk (Continued)

55.1.5 Credit quality of distressed debt assets and loans and advances to customers at amortized cost
(Continued)

(2) Impaired

| | As at December 30 June 2023 (Unaudited) | | |
|------------------------------------|--|---------------------------------------|--------------------------|
| | Gross amount | Allowance for impairment losses | Net carrying amount |
| Distressed debt assets | 12,162,991 | (6,213,199) | 5,949,792 |
| Loans and advances to customers | <u>8,403,459</u> | <u>(3,983,205)</u> | <u>4,420,254</u> |
| Total | <u><u>20,566,450</u></u> | <u><u>(10,196,404)</u></u> | <u><u>10,370,046</u></u> |
| | As at 31 December 2022 (Audited) | | |
| | 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 | <u>6,334,451</u> | <u>(3,463,520)</u> | <u>2,870,931</u> |
| Total | <u><u>17,945,569</u></u> | <u><u>(9,803,858)</u></u> | <u><u>8,141,711</u></u> |

IV. EXPLANATORY NOTES (Continued)

55. Financial risk management (Continued)

55.1 Credit risk (Continued)

55.1.5 Credit quality of distressed debt assets and loans and advances to customers at amortized cost (Continued)

(2) Impaired (Continued)

| | As at 30 June 2023 (Unaudited) | As at 31 December 2022 (Audited) |
|--|---|---|
| Distressed debt assets | | |
| Impaired | 12,162,991 | 11,611,118 |
| – Portion covered | 11,074,176 | 11,611,118 |
| – Portion not covered | 1,088,815 | – |
| Impaired as % of total distressed debt assets | 13.8 | 10.2 |
| Fair value of collateral | <u>11,078,746</u> | <u>10,263,595</u> |
| Loans and advances to customers | | |
| Impaired | 8,403,459 | 6,334,451 |
| – Portion covered | 3,181,635 | 5,801,409 |
| – Portion not covered | 5,221,824 | 533,042 |
| Impaired as % of total loans and advances to customers | 2.1 | 1.6 |
| Fair value of collateral | <u>2,970,109</u> | <u>7,110,880</u> |

IV. EXPLANATORY NOTES (Continued)

55. Financial risk management (Continued)

55.1 Credit risk (Continued)

55.1.5 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:

| | As at 30 June 2023 (Unaudited) | | As at 31 December 2022 (Audited) | |
|--|--------------------------------------|--------------|--|--------------|
| | Gross amount | % | Gross amount | % |
| Distressed debt assets | | | | |
| Bohai Rim | 2,396,415 | 19.7 | 3,521,656 | 30.3 |
| Pearl River Delta | 3,007,613 | 24.7 | 3,007,613 | 25.9 |
| Western Region | 3,333,106 | 27.4 | 1,844,085 | 15.9 |
| Yangtze River Delta | 362,227 | 3.0 | 1,000,632 | 8.6 |
| Central Region | 3,063,630 | 25.2 | 2,237,132 | 19.3 |
| Total | <u>12,162,991</u> | <u>100.0</u> | <u>11,611,118</u> | <u>100.0</u> |
| Loans and advances to customers | | | | |
| Overseas | 2,784,286 | 33.1 | 1,910,074 | 30.2 |
| Pearl River Delta | 2,334,936 | 27.8 | 2,083,593 | 32.9 |
| Central Region | 466,681 | 5.6 | 477,627 | 7.6 |
| Bohai Rim | 1,174,883 | 14.0 | 753,828 | 11.9 |
| Western Region | 698,744 | 8.3 | 647,100 | 10.2 |
| Yangtze River Delta | 118,351 | 1.4 | 53,668 | 0.8 |
| Northeastern Region | 825,578 | 9.8 | 408,561 | 6.4 |
| Total | <u>8,403,459</u> | <u>100.0</u> | <u>6,334,451</u> | <u>100.0</u> |

IV. EXPLANATORY NOTES (Continued)

55. Financial risk management (Continued)

55.1 Credit risk (Continued)

55.1.6 Credit quality of investment products

The tables below set forth the credit quality of investment products, including debt investments and trust products.

| | As at 30 June 2023 (Unaudited) | As at 31 December 2022 (Audited) |
|-----------------------------------|---|---|
| Neither past due nor impaired (1) | 204,148,094 | 190,772,685 |
| Past due but not impaired (2) | 7,534,400 | 3,449,680 |
| Impaired (3) | 3,964,673 | 3,881,870 |
| | <hr/> | <hr/> |
| Subtotal | 215,647,167 | 198,104,235 |
| | <hr/> | <hr/> |
| Allowance for impairment losses | (3,561,961) | (2,987,083) |
| | <hr/> | <hr/> |
| Net carrying amounts | 212,085,206 | 195,117,152 |
| | <hr/> <hr/> | <hr/> <hr/> |

IV. EXPLANATORY NOTES (Continued)

55. Financial risk management (Continued)

55.1 Credit risk (Continued)

55.1.6 Credit quality of investment products (Continued)

(1) Neither past due nor impaired

| | As at 30 June 2023 (Unaudited) | | | As at 31 December 2022 (Audited) | | |
|--|--|---|---------------------------|---|---|---------------------------|
| | 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 | 12,802,918 | 50,610,339 | 63,413,257 | 10,016,178 | 53,610,728 | 63,626,906 |
| Public sector and quasi- government bonds | 276,304 | 2,850,359 | 3,126,663 | 269,499 | 2,810,626 | 3,080,125 |
| Financial institution bonds | 1,394,382 | 58,767,815 | 60,162,197 | 1,353,836 | 46,080,418 | 47,434,254 |
| Corporate bonds | 211,199 | 27,090,277 | 27,301,476 | 179,300 | 22,297,199 | 22,476,499 |
| Trust products and rights to trust assets | 20,082,417 | – | 20,082,417 | 23,364,167 | – | 23,364,167 |
| Debt investments | 2,391,468 | – | 2,391,468 | 30,790,734 | – | 30,790,734 |
| Others | 27,670,616 | – | 27,670,616 | – | – | – |
| Subtotal | <u>64,829,304</u> | <u>139,318,790</u> | <u>204,148,094</u> | <u>65,973,714</u> | <u>124,798,971</u> | <u>190,772,685</u> |
| Allowance for impairment losses | <u>(1,362,568)</u> | <u>–</u> | <u>(1,362,568)</u> | <u>(1,364,293)</u> | <u>–</u> | <u>(1,364,293)</u> |
| Total | <u><u>63,466,736</u></u> | <u><u>139,318,790</u></u> | <u><u>202,785,526</u></u> | <u><u>64,609,421</u></u> | <u><u>124,798,971</u></u> | <u><u>189,408,392</u></u> |

As at 30 June 2023, the carrying amount of neither past due nor impaired investment products at fair value through other comprehensive income was RMB139,318.79 million, and the allowances of RMB112.35 million was recognized in other comprehensive income.

As at 31 December 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.

IV. EXPLANATORY NOTES (Continued)

55. Financial risk management (Continued)

55.1 Credit risk (Continued)

55.1.6 Credit quality of investment products (Continued)

(2) Past due but not impaired

As at 30 June 2023, the gross amount of past due but not impaired investment products of the Group were financial assets at amortized cost of RMB7,534.40 million with the allowances of RMB488.77 million recognized.

As at 31 December 2022, the gross amount of past due but not impaired investment products at amortized cost of the Group was RMB3,449.68 million with the allowances of RMB123.87 million recognized.

(3) Impaired

As at 30 June 2023, the carrying amount of the impaired investment products at fair value through other comprehensive income was RMB20.92 million, and the allowances of RMB203.16 million was recognized. The gross amount of the impaired investment products at amortized cost was RMB3,943.75 million, and the allowances of RMB1,710.62 million was recognized.

As at 31 December 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 investment products at amortized cost was RMB3,746.59 million, and the allowances of RMB1,498.92 million was recognized.

IV. EXPLANATORY NOTES (Continued)

55. Financial risk management (Continued)

55.2 Market risk

Interest rate risk

At the end of the reporting period, the Group's assets and liabilities at carrying amounts, categorized by the earlier of contractual repricing date and maturity date are as follows:

| | As at 30 June 2023 (Unaudited) | | | | | Non-interest-bearing | Total |
|---|-----------------------------------|----------------------|----------------------|----------------------|---------------------|----------------------|------------------------|
| | Less than 1 month | 1-3 months | 3-12 months | 1-5 years | Over 5 years | | |
| Cash and balances with central banks | 11,377,691 | - | - | - | - | 2,848,695 | 14,226,386 |
| Deposits with banks and financial institutions | 99,089,740 | 2,854,562 | 1,111,918 | - | - | 4,200,497 | 107,256,717 |
| Placements with banks and financial institutions | 11,581,959 | 1,229,147 | 446,700 | - | - | - | 13,257,806 |
| Deposits with exchanges and others | 2,356,162 | - | - | - | - | - | 2,356,162 |
| Financial assets at fair value through profit or loss | 2,699,627 | 6,067,836 | 14,425,967 | 26,676,791 | 4,530,221 | 459,600,528 | 514,000,970 |
| Financial assets at fair value through other comprehensive income | 6,390,181 | 11,641,646 | 39,348,047 | 80,160,562 | 1,799,276 | 6,891,502 | 146,231,214 |
| Loans and advances to customers | 170,865,711 | 76,037,737 | 97,142,294 | 59,009,031 | 2,461,965 | 1,989,055 | 407,505,793 |
| Financial assets at amortized cost | 16,494,759 | 10,187,979 | 36,131,279 | 84,144,493 | 667,146 | - | 147,625,656 |
| Accounts receivable | 5,677 | - | 361 | - | - | 4,382,833 | 4,388,871 |
| Financial assets held under resale agreements | 2,180,887 | - | - | 848,226 | - | 1,800 | 3,030,913 |
| Other financial assets | 9,080 | 165,857 | - | - | - | 15,555,828 | 15,730,765 |
| Total financial assets | 323,051,474 | 108,184,764 | 188,606,566 | 250,839,103 | 9,458,608 | 495,470,738 | 1,375,611,253 |
| Borrowings from the central bank | - | - | - | - | - | (986,058) | (986,058) |
| Accounts payable to brokerage clients | (12,826,245) | - | - | - | - | (7,164,283) | (19,990,528) |
| Due to customers | (117,577,602) | (84,677,514) | (99,421,454) | (9,484,677) | - | (9,061,304) | (320,222,551) |
| Deposits from banks and financial institutions | (4,450,804) | (1,114,717) | (3,482,519) | (3,785,219) | (100,101) | (261,921) | (13,195,281) |
| Placements from banks and financial institutions | (12,575,355) | (7,483,863) | (2,576,791) | - | - | - | (22,636,009) |
| Financial liabilities at fair value through profit or loss | (3,265,135) | (3,785,929) | (1,603,474) | (2,025) | - | (932,268) | (9,588,831) |
| Financial assets sold under repurchase agreements | (21,472,010) | (10,302,476) | (6,381,750) | (1,002,085) | - | (1,843,960) | (41,002,281) |
| Borrowings | (51,391,961) | (65,741,649) | (261,126,144) | (204,253,955) | (1,726,216) | (2,119,899) | (586,359,824) |
| Bonds issued | (3,299,980) | (3,663,077) | (67,886,064) | (166,817,045) | (47,271,539) | - | (288,937,705) |
| Accounts payable | - | - | - | - | - | (4,631,013) | (4,631,013) |
| Other financial liabilities | (83,525) | (326,497) | (1,592,693) | (6,757,465) | (116,159) | (34,901,276) | (43,777,615) |
| Total financial liabilities | (226,942,617) | (177,095,722) | (444,070,889) | (392,102,471) | (49,214,015) | (61,901,982) | (1,351,327,696) |
| Interest rate gap | 96,108,857 | (68,910,958) | (255,464,323) | (141,263,368) | (39,755,407) | 433,568,756 | 24,283,557 |

IV. EXPLANATORY NOTES (Continued)

55. Financial risk management (Continued)

55.2 Market risk (Continued)

Interest rate risk (Continued)

| | As at 31 December 2022 | | | | | Non-interest-bearing | Total |
|---|------------------------|----------------------|----------------------|----------------------|---------------------|----------------------|------------------------|
| | Less than 1 month | 1-3 months | 3-12 months | 1-5 years | Over 5 years | | |
| Cash and balances with central banks | 10,497,116 | - | - | - | - | 6,180,260 | 16,677,376 |
| Deposits with banks and financial institutions | 85,846,756 | 6,373,038 | - | - | - | 5,610,294 | 97,830,088 |
| Placements with banks and financial institutions | 29,873,481 | 3,621,230 | 930,288 | - | - | - | 34,424,999 |
| Deposits with exchanges and others | 2,334,962 | - | - | - | - | - | 2,334,962 |
| Financial assets at fair value through profit or loss | 8,342,665 | 4,891,063 | 25,919,843 | 56,753,006 | 4,567,507 | 403,021,821 | 503,495,905 |
| Financial assets at fair value through other comprehensive income | 2,155,489 | 12,038,667 | 24,793,215 | 83,506,060 | 1,325,024 | 6,669,226 | 130,487,681 |
| Loans and advances to customers | 230,713,789 | 40,566,168 | 84,074,987 | 38,680,906 | 1,963,050 | 531,088 | 396,529,988 |
| Financial assets at amortized cost | 21,829,039 | 10,294,807 | 65,190,229 | 72,472,758 | 207,477 | - | 169,994,310 |
| Accounts receivable | 367,520 | - | - | - | - | 4,435,810 | 4,803,330 |
| Financial assets held under resale agreements | 29,154,015 | 288 | 909,307 | - | - | 11,757 | 30,075,367 |
| Other financial assets | 2,000 | 6,850 | 43,342 | 56,850 | 589 | 11,714,335 | 11,823,966 |
| Total financial assets | 421,116,832 | 77,792,111 | 201,861,211 | 251,469,580 | 8,063,647 | 438,174,591 | 1,398,477,972 |
| Borrowings from central bank | - | - | - | - | - | (986,058) | (986,058) |
| Accounts payable to brokerage clients | (12,786,214) | - | - | - | - | (6,320,999) | (19,107,213) |
| Due to customers | (130,543,069) | (88,653,368) | (82,322,697) | (7,884,343) | - | (13,637,052) | (323,040,529) |
| Deposits from banks and financial institutions | (865,362) | (3,818,706) | (4,231,331) | (3,790,000) | - | (143,440) | (12,848,839) |
| Placements from banks and financial institutions | (14,224,551) | (2,082,119) | (4,103,453) | - | - | (67,927) | (20,478,050) |
| Financial liabilities at fair value through profit or loss | (4,524,843) | (779,321) | (1,272,096) | - | - | (4,108,629) | (10,684,889) |
| Financial assets sold under repurchase agreements | (24,671,175) | (6,747,322) | (10,784,982) | (1,000,000) | - | (222,166) | (43,425,645) |
| Borrowings | (57,518,994) | (51,336,673) | (306,335,312) | (194,899,970) | (1,882,810) | (3,384,165) | (615,357,924) |
| Bonds issued | (570,819) | (28,361,598) | (29,558,039) | (145,980,512) | (82,867,979) | (5,543,845) | (292,882,792) |
| Accounts payable | - | - | - | - | - | (4,946,903) | (4,946,903) |
| Other financial liabilities | (128,068) | (66,832) | (1,070,900) | (795,055) | (121,926) | (35,578,112) | (37,760,893) |
| Total financial liabilities | (245,833,095) | (181,845,939) | (439,678,810) | (354,349,880) | (84,872,715) | (74,939,296) | (1,381,519,735) |
| Interest rate gap | 175,283,737 | (104,053,828) | (237,817,599) | (102,880,300) | (76,809,068) | 363,235,295 | 16,958,237 |

IV. EXPLANATORY NOTES (Continued)

55. Financial risk management (Continued)

55.2 Market risk (Continued)

Foreign exchange risk

Foreign exchange risk is the risk of loss due to changes in currency exchange rates. The Group takes on exposure to the effects of fluctuations in the prevailing foreign exchange rates on its financial position and operating performance. The Group conducts the majority of its businesses in RMB, with certain foreign currency transactions in United States dollars (“USD”), Hong Kong dollars (“HKD”) and other currencies.

The table below indicates the potential effect on profit before tax of a 5% appreciation or depreciation of the spot and forward exchange rates of foreign currencies against Renminbi.

Group

| | As at 30 June 2023 (Unaudited) | As at 31 December 2022 (Audited) |
|-----------------|---|---|
| 5% appreciation | 796,580 | 565,435 |
| 5% depreciation | (796,580) | (565,435) |

Price risk

Price risk is the risk that the fair values of equity investments fluctuate as a result of changes in the levels of equity indices and the value of relative securities. The risk is reflected as the variation of the Group’s profit or loss and net assets arising from fair value changes of financial assets measured at fair value changes, and also the variation of the Group’s other comprehensive income and net assets arising from the fair value changes of financial assets measured at other comprehensive income.

The following tables illustrate the potential impact of an increase or decrease of 1 percent in price of equity investments classified as financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income on profit before tax and equity.

Group

| | As at 30 June 2023 | | As at 31 December 2022 | |
|-------------|-------------------------------|-----------------|---------------------------|----------|
| | Profit before tax | Equity | Profit before tax | Equity |
| +1 percent | 991,548 | 68,915 | 1,281,836 | 55,534 |
| - 1 percent | (991,548) | (68,915) | (1,281,836) | (55,534) |

IV. EXPLANATORY NOTES (Continued)

55. Financial risk management (Continued)

55.3 Liquidity risk

Analysis of the remaining maturity of the financial assets and financial liabilities

| | As at 30 June 2023 (Unaudited) | | | | | | | Total |
|--|-----------------------------------|----------------------|----------------------|----------------------|----------------------|----------------------|---------------------|------------------------|
| | Past due/ undated | On demand | Less than 1 month | 1-3 months | 3-12 months | 1-5 years | Over 5 years | |
| Cash and balances with central banks | 11,326,356 | 2,900,030 | - | - | - | - | - | 14,226,386 |
| Deposits with banks and financial institutions | 133 | 98,399,107 | 4,890,997 | 2,854,562 | 1,111,918 | - | - | 107,256,717 |
| Placements with banks and financial institutions | - | - | 11,581,959 | 1,229,147 | 446,700 | - | - | 13,257,806 |
| Deposits with exchanges and others | 2,356,162 | - | - | - | - | - | - | 2,356,162 |
| Financial assets at fair value through profit or loss | 423,973,621 | 8,398,957 | 1,566,056 | 6,651,074 | 16,122,888 | 52,285,384 | 5,002,990 | 514,000,970 |
| Loans and advances to customers | 9,179,141 | 32,135,437 | 12,447,866 | 31,347,837 | 93,683,387 | 176,301,249 | 52,410,876 | 407,505,793 |
| Accounts receivable | 807,006 | 2,300,699 | 241,772 | 32,980 | 607,951 | 398,463 | - | 4,388,871 |
| Financial assets held under resale agreements | - | - | 2,182,687 | - | - | 848,226 | - | 3,030,913 |
| Financial assets at fair value through other comprehensive income | 6,897,489 | - | 6,384,194 | 11,641,646 | 39,348,047 | 80,160,562 | 1,799,276 | 146,231,214 |
| Financial assets at amortized cost | 18,317,044 | - | 4,483,206 | 10,200,265 | 33,674,825 | 80,283,170 | 667,146 | 147,625,656 |
| Other financial assets | 5,200,544 | 9,713,319 | 301,244 | 466,569 | 6,616 | 42,473 | - | 15,730,765 |
| Total financial assets | 478,057,496 | 153,847,549 | 44,079,981 | 64,424,080 | 185,002,332 | 390,319,527 | 59,880,288 | 1,375,611,253 |
| Borrowings from the central bank | - | (986,058) | - | - | - | - | - | (986,058) |
| Accounts payable to brokerage clients | - | (19,990,528) | - | - | - | - | - | (19,990,528) |
| Due to customers | - | (85,355,812) | (40,599,594) | (85,134,871) | (99,700,945) | (9,431,329) | - | (320,222,551) |
| Deposits from banks and financial institutions | - | (2,748,242) | (1,180,703) | (1,114,717) | (3,898,976) | (4,252,643) | - | (13,195,281) |
| Placements from banks and financial institutions | - | - | (14,030,984) | (6,028,234) | (2,576,791) | - | - | (22,636,009) |
| Financial liabilities at fair value through profit or loss | - | (142,211) | (3,418,678) | (4,018,068) | (1,753,252) | (256,193) | (429) | (9,588,831) |
| Financial assets sold under repurchase agreements | - | (1,961,813) | (21,354,157) | (10,302,476) | (6,381,750) | (1,002,085) | - | (41,002,281) |
| Borrowings | - | - | (51,394,275) | (67,865,879) | (262,036,444) | (203,337,010) | (1,726,216) | (586,359,824) |
| Bonds issued | - | - | (3,299,980) | (3,663,077) | (67,886,064) | (166,817,045) | (47,271,539) | (288,937,705) |
| Accounts payable | - | (4,239,756) | (62,303) | (3) | (11) | (328,940) | - | (4,631,013) |
| Other financial liabilities | - | (33,844,198) | (374,878) | (329,905) | (1,621,485) | (7,447,676) | (159,473) | (43,777,615) |
| Total financial liabilities | - | (149,268,618) | (135,715,552) | (178,457,230) | (445,855,718) | (392,872,921) | (49,157,657) | (1,351,327,696) |
| Net position | 478,057,496 | 4,578,931 | (91,635,571) | (114,033,150) | (260,853,386) | (2,553,394) | 10,722,631 | 24,283,557 |

IV. EXPLANATORY NOTES (Continued)

55. Financial risk management (Continued)

55.3 Liquidity risk (Continued)

Analysis of the remaining maturity of the financial assets and financial liabilities (Continued)

| | As at 31 December 2022 | | | | | | | |
|---|------------------------|----------------------|----------------------|----------------------|----------------------|----------------------|---------------------|------------------------|
| | Past due/ undated | On demand | Less than 1 month | 1-3 months | 3-12 months | 1-5 years | Over 5 years | Total |
| Cash and balances with central banks | 10,443,814 | 6,233,562 | – | – | – | – | – | 16,677,376 |
| Deposits with banks and financial institutions | 133 | 87,059,377 | 4,397,540 | 6,373,038 | – | – | – | 97,830,088 |
| Placements with banks and financial institutions | – | – | 29,873,481 | 3,621,230 | 930,288 | – | – | 34,424,999 |
| Deposits with exchanges and others | 2,334,962 | – | – | – | – | – | – | 2,334,962 |
| Financial assets at fair value through profit or loss | 385,420,215 | 7,179,120 | 8,283,025 | 5,602,098 | 31,292,726 | 60,912,384 | 4,806,337 | 503,495,905 |
| Loans and advances to customers | 8,618,654 | 24,449,047 | 16,726,318 | 24,327,422 | 104,023,412 | 167,951,868 | 50,433,267 | 396,529,988 |
| Accounts receivable | 129,583 | 3,357,583 | 406,541 | 17,660 | 613,948 | 278,015 | – | 4,803,330 |
| Financial assets held under resale agreements | 129,883 | – | 29,035,870 | 307 | 909,307 | – | – | 30,075,367 |
| Financial assets at fair value through other comprehensive income | 5,631,540 | – | 2,104,031 | 12,065,428 | 24,929,246 | 84,417,116 | 1,340,320 | 130,487,681 |
| Financial assets at amortized cost | 14,623,911 | 1,291,714 | 5,913,414 | 10,294,807 | 65,190,229 | 72,472,758 | 207,477 | 169,994,310 |
| Other financial assets | 690,233 | 10,008,263 | 687,224 | 7,261 | 45,389 | 385,007 | 589 | 11,823,966 |
| Total financial assets | 428,022,928 | 139,578,666 | 97,427,444 | 62,309,251 | 227,934,545 | 386,417,148 | 56,787,990 | 1,398,477,972 |
| Borrowings from central bank | – | (986,058) | – | – | – | – | – | (986,058) |
| Accounts payable to brokerage clients | – | (19,107,213) | – | – | – | – | – | (19,107,213) |
| Due to customers | – | (98,066,048) | (43,772,359) | (89,996,550) | (82,998,633) | (8,206,939) | – | (323,040,529) |
| Deposits from banks and financial institutions | – | (550,134) | (323,427) | (3,832,351) | (4,233,652) | (3,909,275) | – | (12,848,839) |
| Placements from banks and financial institutions | – | (12,225) | (14,235,083) | (2,096,264) | (4,134,478) | – | – | (20,478,050) |
| Financial liabilities at fair value through profit or loss | – | (3,180,095) | (4,682,830) | (1,025,128) | (1,526,197) | (270,639) | – | (10,684,889) |
| Financial assets sold under repurchase agreements | – | (1,849,053) | (22,895,673) | (6,818,024) | (10,860,701) | (1,002,194) | – | (43,425,645) |
| Borrowings | – | (20,170,783) | (38,911,570) | (51,216,435) | (307,727,080) | (195,444,781) | (1,887,275) | (615,357,924) |
| Bonds issued | – | – | (576,249) | (28,745,812) | (29,757,475) | (148,567,284) | (85,235,972) | (292,882,792) |
| Accounts payable | – | (465,407) | (61,572) | (3) | (4,373,339) | (24,248) | (22,334) | (4,946,903) |
| Other financial liabilities | – | (28,224,234) | (767,974) | (148,249) | (2,407,484) | (5,973,793) | (239,159) | (37,760,893) |
| Total financial liabilities | – | (172,611,250) | (126,226,737) | (183,878,816) | (448,019,039) | (363,399,153) | (87,384,740) | (1,381,519,735) |
| Net position | 428,022,928 | (33,032,584) | (28,799,293) | (121,569,565) | (220,084,494) | 23,017,995 | (30,596,750) | 16,958,237 |

IV. EXPLANATORY NOTES (Continued)

55. Financial risk management (Continued)

55.4 Risk management of distressed assets

Risk of distressed assets represents the potential loss that may arise from a counterparty's failure to meet its obligation or changes in market conditions that lead to a decline in the asset value. Risk of distressed assets can also arise from operational failures due to unauthorized or inappropriate purchase, disposal or management activities, which result in the recoverable amount of the distressed assets lower than their carrying amounts.

Such distressed assets include acquisition-operation distressed assets, restructured distressed assets and equity instruments obtained through debt-to-equity swap.

The types of risk, their risk management procedures, fair value measurement techniques and impairment assessment are similar to those described in the consolidated financial statements for the year ended 31 December 2022.

55.5 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 China Banking and Insurance Regulatory Commission in 2011, the Group manages its capital based on the required minimum capital. Compliance with the requirement of minimum capital is the primary goal of capital management of the Group.

Minimum capital of the Group is the total of minimum capital of the Company and its subsidiaries after taking into account the percentage of shareholdings, after making deduction as required by relevant rules and regulations. The Group is required to meet this minimum capital requirement stipulated by the former China Banking and Insurance Regulatory Commission.

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 China Banking and Insurance Regulatory Commission 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 30 June 2023 and 31 December 2022, the Company complied with the regulatory requirements on the minimum CAR.

IV. EXPLANATORY NOTES (Continued)

56. 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 (such as from prices) or indirectly (such as calculation based on price), including bond prices, equity and stock prices, interest rates, foreign exchange rates; and

Level 3: Management obtains valuation quotations from counterparties or uses valuation techniques to determine the fair value, including discounted cash flow analysis, net asset value, the market comparison approach, etc. The fair value of these financial instruments may be based on unobservable inputs which may have a significant impact on the valuation of these financial instruments, and therefore, these assets and liabilities have been classified by the Group as Level 3. The unobservable inputs which may have an impact on the valuation include the weighted average cost of capital, liquidity discount, price to book ratio, etc.

56.1 Fair values of financial assets and financial liabilities that are not measured at fair value on a recurring basis

Except as detailed in the following table, the directors of the Company considered that the carrying amounts of financial assets and financial liabilities in the interim condensed consolidated financial statements approximate their fair values.

| | As at 30 June 2023 (Unaudited) | |
|------------------------------------|-----------------------------------|----------------------|
| | Carrying amount | Fair value |
| Financial assets | | |
| Financial assets at amortized cost | | |
| – Distressed debt assets | 74,906,812 | 79,871,622 |
| – Other debt investments | 72,718,844 | 72,394,360 |
| | <u>147,625,656</u> | <u>152,265,982</u> |
| Total | <u>147,625,656</u> | <u>152,265,982</u> |
| Financial liabilities | | |
| Borrowings | (586,359,824) | (578,954,151) |
| Bonds issued | (288,937,705) | (291,495,441) |
| | <u>(875,297,529)</u> | <u>(870,449,592)</u> |
| Total | <u>(875,297,529)</u> | <u>(870,449,592)</u> |

IV. EXPLANATORY NOTES (Continued)

56. Fair values of financial instruments (Continued)

56.1 Fair values of financial assets and financial liabilities that are not measured at fair value on a recurring basis (Continued)

| | As at 31 December 2022 (Audited) | | |
|------------------------------------|-------------------------------------|----------------------|----------------------|
| | Carrying amount | Fair value | |
| Financial assets | | | |
| Financial assets at amortized cost | | | |
| – Distressed debt assets | 99,811,414 | 97,729,795 | |
| – Other debt investments | 70,182,896 | 70,060,541 | |
| Total | <u>169,994,310</u> | <u>167,790,336</u> | |
| Financial liabilities | | | |
| Borrowings | (615,357,924) | (614,947,721) | |
| Bonds issued | (292,882,792) | (296,287,324) | |
| Total | <u>(908,240,716)</u> | <u>(911,235,045)</u> | |
| | As at 30 June 2023 | | |
| | (Unaudited) | (Unaudited) | (Unaudited) |
| | Level 1 | Level 2 | Level 3 |
| | | | (Unaudited) |
| | | | Total |
| Financial assets | | | |
| Financial assets at amortized cost | | | |
| – Distressed debt assets | – | – | 79,871,622 |
| – Other debt investments | 11,105,101 | 3,614,399 | 57,774,860 |
| Total | <u>11,105,101</u> | <u>3,614,399</u> | <u>137,646,482</u> |
| Financial liabilities | | | |
| Borrowings | – | – | (578,954,151) |
| Bonds issued | – | (251,856,949) | (39,638,492) |
| Total | <u>–</u> | <u>(251,856,949)</u> | <u>(618,592,643)</u> |

IV. EXPLANATORY NOTES (Continued)

56. Fair values of financial instruments (Continued)

56.1 Fair values of financial assets and financial liabilities that are not measured at fair value on a recurring basis (Continued)

| | As at 31 December 2022 | | | Total |
|------------------------------------|------------------------|----------------------|----------------------|----------------------|
| | Level 1 | Level 2 | Level 3 | |
| 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 |
| Total | <u>9,213,762</u> | <u>2,603,923</u> | <u>155,972,651</u> | <u>167,790,336</u> |
| Financial liabilities | | | | |
| Borrowings | – | – | (614,947,721) | (614,947,721) |
| Bonds issued | – | (177,995,400) | (118,291,924) | (296,287,324) |
| Total | <u>–</u> | <u>(177,995,400)</u> | <u>(733,239,645)</u> | <u>(911,235,045)</u> |

The fair values of the financial assets and financial liabilities included in Level 2 and Level 3 above have been determined in accordance with generally accepted pricing models based on a discounted cash flow analysis, with the most significant input being the discount rate that reflects the credit risk of counterparties.

IV. EXPLANATORY NOTES (Continued)

56. Fair values of financial instruments (Continued)

56.2 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, especially their fair value hierarchy, valuation technique(s) and key input(s) used.

| Financial assets/financial liabilities | Fair value | | Fair value hierarchy | Valuation technique(s) and key input(s) | Significant unobservable input(s) | Relationship of unobservable inputs to fair value |
|--|-----------------------------------|-------------------------------------|----------------------|--|--|--|
| | As at 30 June 2023 (Unaudited) | As at 31 December 2022 (Audited) | | | | |
| 1) Financial assets classified as at fair value through profit or loss | 514,000,970 | 503,495,905 | | | | |
| Debt securities | 34,316,212 | 32,539,405 | | | | |
| – Traded in stock exchanges | 2,582,634 | 2,903,333 | Level 1 | • Quoted bid prices in an active market. | N/A | N/A |
| | 4,513,379 | 3,465,843 | Level 2 | • Quoted market prices from dealers or independent pricing service vendors. | N/A | N/A |
| | 80,611 | 66,945 | Level 3 | • Default rates of recovery. | • Expected recoverable amounts. | • The higher the expected recoverable amounts, the higher the fair value. |
| – Traded in inter-bank markets | – | – | Level 1 | • Quoted bid prices in an active market. | N/A | N/A |
| | 16,143,552 | 17,053,104 | Level 2 | • Quoted market prices from dealers or independent pricing service vendors. | N/A | N/A |
| | – | – | Level 3 | • Default rates of recovery. | • Expected recoverable amounts. | • The higher the expected recoverable amounts, the higher the fair value. |
| – Traded over the counter | 8,379,691 | 7,628,156 | Level 2 | • Quoted market prices from dealers or independent pricing service vendors. | N/A | N/A |
| | 47,343 | 43,963 | Level 3 | • Default rates of recovery • Future cash flows are estimated based on contractual amounts and coupon rates discounted at a rate that reflects the credit risk of the counterparty. | • Default rates of recovery • Expected recoverable amounts. | • The lower the default rates of recovery, the higher the fair value. • The higher the expected recoverable amounts, the higher the fair value. |

IV. EXPLANATORY NOTES (Continued)

56. Fair values of financial instruments (Continued)

56.2 Fair values of financial assets and financial liabilities that are measured at fair value on a recurring basis (Continued)

| Financial assets/financial liabilities | Fair value | | Fair value hierarchy | Valuation technique(s) and key input(s) | Significant unobservable input(s) | Relationship of unobservable inputs to fair value |
|--|--------------------------------|----------------------------------|----------------------|---|---|--|
| | As at 30 June 2023 (Unaudited) | As at 31 December 2022 (Audited) | | | | |
| - Traded in inactive markets | 2,569,002 | 1,378,061 | Level 3 | <ul style="list-style-type: none"> Discounted cash flows for the debt component and binomial option pricing model for the option component. Future cash flows are estimated based on contractual amounts and coupon rates discounted at a rate that reflects the credit risk of the counterparty. | <ul style="list-style-type: none"> Discount rates that correspond to the expected risk level. Risk-free rates that are specific to the market. Volatility rates that are in line with those of similar products. | <ul style="list-style-type: none"> The lower the discount rates, the higher the fair value. The lower the risk-free rates, the higher the fair value. The higher the volatility rates, the higher the fair value. |
| Equity investments listed or traded on exchanges | 13,843,128 | 16,777,486 | | | | |
| Unrestricted listed equity investments | 13,203,554 | 16,476,830 | Level 1 | <ul style="list-style-type: none"> Quoted bid prices in an active market. | N/A | N/A |
| Restricted listed equity investments | 639,574 | 300,656 | Level 3 | <ul style="list-style-type: none"> Option pricing model. | <ul style="list-style-type: none"> Stock volatility | <ul style="list-style-type: none"> The lower the stock volatility, the higher the fair value. |
| Equity investments in unlisted companies | 57,908,772 | 53,448,574 | | | | |
| | 55,668,548 | 51,544,530 | Level 3 | <ul style="list-style-type: none"> Comparable listed company method, comparable transaction cases, etc. | <ul style="list-style-type: none"> Market multiplier. | <ul style="list-style-type: none"> The higher the market multiplier, the higher the fair value. |
| | 2,240,224 | 1,904,044 | Level 3 | <ul style="list-style-type: none"> Income approach. | <ul style="list-style-type: none"> Discount for lack of marketability (DLOM). Expected future cash flow. Discount rates that correspond to the expected risk level. | <ul style="list-style-type: none"> The lower the DLOM, the higher the fair value. The higher the future cash flow, the higher the fair value. The lower the discount rate, the higher the fair value. |

IV. EXPLANATORY NOTES (Continued)

56. Fair values of financial instruments (Continued)

56.2 Fair values of financial assets and financial liabilities that are measured at fair value on a recurring basis (Continued)

| Financial assets/financial liabilities | Fair value | | Fair value hierarchy | Valuation technique(s) and key input(s) | Significant unobservable input(s) | Relationship of unobservable inputs to fair value |
|---|-----------------------------------|-------------------------------------|----------------------|--|--|---|
| | As at 30 June 2023 (Unaudited) | As at 31 December 2022 (Audited) | | | | |
| Mutual funds | 126,817,410 | 119,431,466 | | | | |
| – Mutual funds with open or active quotations | 3,333,646 | 4,554,108 | Level 1 | • Quoted bid prices in an active market. | N/A | N/A |
| | 1,848,234 | 1,900,692 | Level 2 | • Quoted market prices from dealers or independent pricing service vendors. | N/A | N/A |
| – Investing in debt instruments | 50,321,132 | 47,595,402 | Level 3 | • Discounted cash flow with future cash flow that are estimated based on expected recoverable amounts, discounted at rates that reflect management's best estimation of the expected risk level. | • Expected future cash flow. • Expected recovery date. • Discount rates that correspond to the expected risk level. | • The higher the future cash flow, the higher the fair value. • The earlier the recovery date, the higher the fair value. • The lower the discount rates, the higher the fair value. |
| – Investing in equity | 71,314,398 | 65,381,264 | Level 3 | • Comparable listed company method, comparable transaction cases, etc. | • Market multiplier. • Discount for lack of marketability (DLOM) • Stock volatility | • The higher the market multiplier, the higher the fair value. • The lower the DLOM, the higher the fair value. • The lower the stock volatility, the higher the fair value. |
| Debt instruments | 15,168,068 | 16,264,284 | | | | |
| – Other debt instruments | 14,352,932 | 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. |

IV. EXPLANATORY NOTES (Continued)

56. Fair values of financial instruments (Continued)

56.2 Fair values of financial assets and financial liabilities that are measured at fair value on a recurring basis (Continued)

| Financial assets/financial liabilities | Fair value | | Fair value hierarchy | Valuation technique(s) and key input(s) | Significant unobservable input(s) | Relationship of unobservable inputs to fair value |
|--|--------------------------------|----------------------------------|----------------------|--|--|---|
| | As at 30 June 2023 (Unaudited) | As at 31 December 2022 (Audited) | | | | |
| - Embedded derivative debts | 815,136 | 722,831 | Level 3 | <ul style="list-style-type: none"> Discounted cash flows for the debt component and binomial option pricing model for the option component. | <ul style="list-style-type: none"> Expected future cash flows. Discount rates that correspond to the expected risk level. Stock price volatility. | <ul style="list-style-type: none"> The higher the future cash flows, the higher the fair value. The lower the discount rates, the higher the fair value. The higher the stock price volatility, the higher the fair value. |
| Derivative financial assets | 1,954,187 | 1,887,923 | | | | |
| | 330,817 | 297,439 | Level 1 | <ul style="list-style-type: none"> Quoted bid prices in an active market. | N/A | N/A |
| | 1,359,482 | 1,455,245 | Level 2 | <ul style="list-style-type: none"> Valuation techniques based on market data including interest rate and foreign exchange rates. | N/A | N/A |
| | 263,888 | 135,239 | Level 3 | <ul style="list-style-type: none"> Discounted cash flows with future cash flows that are estimated based on expected recoverable amounts, discounted at rates that reflect management's best estimation of the expected risk level.⁽ⁱ⁾ | <ul style="list-style-type: none"> Expected recoverable amounts. Expected recovery date. Discount rates that correspond to the expected risk level. | <ul style="list-style-type: none"> The higher the recoverable amounts, the higher the fair value. The earlier the recovery date, the higher the fair value. The lower the discount rates, the higher the fair value. |
| Distressed debt assets | 238,959,045 | 233,437,193 | Level 3 | <ul style="list-style-type: none"> Discounted cash flows with future cash flows that are estimated based on expected recoverable amounts, discounted at rates that reflect management's best estimation of the expected risk level. | <ul style="list-style-type: none"> Expected recoverable amounts. Expected recovery date. Discount rates that correspond to the expected risk level. | <ul style="list-style-type: none"> The higher the recoverable amounts, the higher the fair value. The earlier the recovery date, the higher the fair value. The lower the discount rates, the higher the fair value. |

- (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.

IV. EXPLANATORY NOTES (Continued)

56. Fair values of financial instruments (Continued)

56.2 Fair values of financial assets and financial liabilities that are measured at fair value on a recurring basis (Continued)

| Financial assets/financial liabilities | Fair value | | Fair value hierarchy | Valuation technique(s) and key input(s) | Significant unobservable input(s) | Relationship of unobservable inputs to fair value |
|---|--------------------------------|----------------------------------|----------------------|--|--|--|
| | As at 30 June 2023 (Unaudited) | As at 31 December 2022 (Audited) | | | | |
| Wealth management products | 2,130,122 | 1,776,838 | Level 3 | <ul style="list-style-type: none"> Discounted cash flows with future cash flows that are estimated based on expected recoverable amounts, discounted at rates that reflect management's best estimation of the expected risk level. | <ul style="list-style-type: none"> Expected future cash flows. Expected recovery date. Discount rates that correspond to the expected risk level. | <ul style="list-style-type: none"> The higher the future cash flows, the higher the fair value. The earlier the recovery date, the higher the fair value. The lower the discount rate, the higher the fair value. |
| Assets management plans | 2,429,416 | 2,825,774 | | | | |
| – Investing in the portfolio with open or active quotations | 1,820,843 | 2,312,425 | Level 2 | <ul style="list-style-type: none"> Quoted market prices from dealers or independent pricing service vendors. | N/A | N/A |
| – Investing in debt instruments | 91,100 | – | Level 3 | <ul style="list-style-type: none"> Discounted cash flows with future cash flows that are estimated based on expected recoverable amounts, discounted at rates that reflect management's best estimation of the expected risk level. | <ul style="list-style-type: none"> Expected future cash flows. Expected recovery date. Discount rates that correspond to the expected risk level. | <ul style="list-style-type: none"> The higher the future cash flow, the higher the fair value. The earlier the recovery date, the higher the fair value. The lower the discount rate, the higher the fair value. |
| – Investing in equity instruments | 517,473 | 513,349 | Level 3 | <ul style="list-style-type: none"> Comparable listed company method, comparable transaction cases, etc. | <ul style="list-style-type: none"> Market multiplier. Discount for lack of marketability (DLOM). | <ul style="list-style-type: none"> The higher the market multiplier, the higher the fair value. The lower the DLOM, the higher the fair value. |

IV. EXPLANATORY NOTES (Continued)

56. Fair values of financial instruments (Continued)

56.2 Fair values of financial assets and financial liabilities that are measured at fair value on a recurring basis (Continued)

| Financial assets/financial liabilities | Fair value | | Fair value hierarchy | Valuation technique(s) and key input(s) | Significant unobservable input(s) | Relationship of unobservable inputs to fair value |
|---|-----------------------------------|-------------------------------------|----------------------|--|--|--|
| | As at 30 June 2023 (Unaudited) | As at 31 December 2022 (Audited) | | | | |
| Asset-backed securities | 2,526,304 | 1,457,746 | | | | |
| | 297,266 | 754,537 | Level 1 | <ul style="list-style-type: none"> Quoted bid prices in an active market. | N/A | N/A |
| | 2,229,038 | 703,209 | Level 3 | <ul style="list-style-type: none"> Discounted cash flows with future cash flows that are estimated based on expected recoverable amounts, discounted at rates that reflect management's best estimation of the expected risk level. | <ul style="list-style-type: none"> Expected future cash flows. Expected recovery date. Discount rates that correspond to the expected risk level. | <ul style="list-style-type: none"> The higher the future cash flow, the higher the fair value. The earlier the recovery date, the higher the fair value. The lower the discount rate, the higher the fair value. |
| Trust products and rights to trust assets | 17,652,355 | 23,271,755 | | | | |
| – Investing in debt instruments | 14,198,802 | 17,549,524 | Level 3 | <ul style="list-style-type: none"> Discounted cash flows with future cash flows that are estimated based on expected recoverable amounts, discounted at rates that reflect management's best estimation of the expected risk level. | <ul style="list-style-type: none"> Expected future cash flows. Expected recovery date. Discount rates that correspond to the expected risk level. | <ul style="list-style-type: none"> The higher the future cash flows, the higher the fair value. The earlier the recovery date, the higher the fair value. The lower the discount rate, the higher the fair value. |
| – Investing in equity instruments | 3,453,553 | 5,722,231 | Level 3 | <ul style="list-style-type: none"> Comparable listed company method, comparable transaction cases, etc. | <ul style="list-style-type: none"> Market multiplier. Discount for lack of marketability (DLOM). | <ul style="list-style-type: none"> The higher the market multiplier, the higher the fair value. The lower the DLOM, the higher the fair value. |

IV. EXPLANATORY NOTES (Continued)

56. Fair values of financial instruments (Continued)

56.2 Fair values of financial assets and financial liabilities that are measured at fair value on a recurring basis (Continued)

| Financial assets/financial liabilities | Fair value | | Fair value hierarchy | Valuation technique(s) and key input(s) | Significant unobservable input(s) | Relationship of unobservable inputs to fair value |
|---|--------------------------------|----------------------------------|----------------------|--|--|---|
| | As at 30 June 2023 (Unaudited) | As at 31 December 2022 (Audited) | | | | |
| Others | 295,951 | 377,461 | | | | |
| – Investing in debt instruments | 295,951 | 377,461 | Level 3 | <ul style="list-style-type: none"> Discounted cash flows with future cash flows that are estimated based on expected recoverable amounts, discounted at rates that reflect management's best estimation of the expected risk level. | <ul style="list-style-type: none"> Expected future cash flows. Expected recovery date. Discount rates that correspond to the expected risk level. | <ul style="list-style-type: none"> The higher the future cash flows, the higher the fair value. The earlier the recovery date, the higher the fair value. The lower the discount rate, the higher the fair value. |
| 2) Loans and advances to customers at fair value through profit or loss | | | | | | |
| – Loans and advances | 17,436,974 | 14,436,617 | Level 3 | <ul style="list-style-type: none"> Discounted cash flows with future cash flows that are estimated based on expected recoverable amounts, discounted at rates that reflect management's best estimation of the expected risk level. | <ul style="list-style-type: none"> Expected recoverable amounts. Expected recovery date. Discount rates that correspond to the expected risk level. | <ul style="list-style-type: none"> The higher the recoverable amounts, the higher the fair value. The earlier the recovery date, the higher the fair value. The lower the discount rates, the higher the fair value. |
| 3) Financial assets at fair value through other comprehensive income | 139,339,712 | 124,934,251 | | | | |
| Debt investments at fair value through other comprehensive income | 139,339,712 | 124,934,251 | | | | |
| Debt securities | 139,339,712 | 124,934,251 | | | | |
| – Traded on stock exchanges | 16,198,425 | 20,148,561 | Level 1 | <ul style="list-style-type: none"> Quoted bid prices in an active market. | N/A | N/A |
| – Traded in inter-bank markets | 41,124,142 | 29,409,452 | Level 2 | <ul style="list-style-type: none"> Quoted market prices from dealers or independent pricing service vendors. | N/A | N/A |
| – Traded over the counter | 82,017,145 | 75,376,238 | Level 2 | <ul style="list-style-type: none"> Quoted market prices from dealers or independent pricing service vendors. | N/A | N/A |

IV. EXPLANATORY NOTES (Continued)

56. Fair values of financial instruments (Continued)

56.2 Fair values of financial assets and financial liabilities that are measured at fair value on a recurring basis (Continued)

| Financial assets/financial liabilities | Fair value | | Fair value hierarchy | Valuation technique(s) and key input(s) | Significant unobservable input(s) | Relationship of unobservable inputs to fair value |
|---|-----------------------------------|-------------------------------------|----------------------|---|--|--|
| | As at 30 June 2023 (Unaudited) | As at 31 December 2022 (Audited) | | | | |
| Equity instruments designated as at fair value through other comprehensive income | 6,891,502 | 5,553,430 | | | | |
| Unrestricted listed equity investments | 5,886,708 | 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, the higher the fair value. |
| Unlisted equity instruments | 20,620 | 19,513 | Level 3 | • Income approach. | • Expected future cash flow. • Discount rates that correspond to the expected risk level. | • The more the future cash flow, the higher the fair value. • The lower the discount rate, the higher the fair value. |
| 4) Financial liabilities at fair value through profit or loss | (9,588,831) | (10,684,889) | Level 2 | • Calculated based on the quoted prices of similar assets traded in an active market. | N/A | N/A |
| – Short positions in exchange fund bills and notes | (8,335,781) | (9,416,399) | | | | |
| – OTC derivative financial liabilities | (1,236,766) | (1,051,739) | | | | |
| – Financing payables linked to stock index | (16,284) | (216,751) | | | | |

IV. EXPLANATORY NOTES (Continued)

56. Fair values of financial instruments (Continued)

56.2 Fair values of financial assets and financial liabilities that are measured at fair value on a recurring basis (Continued)

The following tables provide a summary of financial instruments that are measured at fair value subsequent to initial recognition, grouped into three levels:

| | As at 30 June 2023 (Unaudited) | | | Total |
|---|-------------------------------------|---------------------|--------------------|---------------------|
| | Level 1 | Level 2 | Level 3 | |
| Financial assets at fair value through profit or loss | 19,747,917 | 34,065,181 | 460,187,872 | 514,000,970 |
| Loans and advances to customers | – | – | 17,436,974 | 17,436,974 |
| Financial assets at fair value through other comprehensive income | 22,085,133 | 123,141,287 | 1,004,794 | 146,231,214 |
| Total assets | <u>41,833,050</u> | <u>157,206,468</u> | <u>478,629,640</u> | <u>677,669,158</u> |
| Financial liabilities at fair value through profit or loss | – | (9,588,831) | – | (9,588,831) |
| Total liabilities | <u>–</u> | <u>(9,588,831)</u> | <u>–</u> | <u>(9,588,831)</u> |
| | As at 31 December 2022 (Audited) | | | Total |
| | Level 1 | Level 2 | Level 3 | |
| Financial assets at fair value through profit or loss | 24,986,247 | 33,815,465 | 444,694,193 | 503,495,905 |
| Loans and advances to customers | – | – | 14,436,617 | 14,436,617 |
| Financial assets at fair value through other comprehensive income | 24,698,304 | 104,785,690 | 1,003,687 | 130,487,681 |
| Total assets | <u>49,684,551</u> | <u>138,601,155</u> | <u>460,134,497</u> | <u>648,420,203</u> |
| Financial liabilities at fair value through profit or loss | – | (10,684,889) | – | (10,684,889) |
| Total liabilities | <u>–</u> | <u>(10,684,889)</u> | <u>–</u> | <u>(10,684,889)</u> |

IV. EXPLANATORY NOTES (Continued)

56. Fair values of financial instruments (Continued)

56.2 Fair values of financial assets and financial liabilities that are measured at fair value on a recurring basis (Continued)

There were no transfers between Level 1 and Level 2 for the financial assets and the financial liabilities measured at fair value during the period/year.

The fair values of the financial assets and financial liabilities included in Level 2 and Level 3 above have been determined in accordance with generally accepted pricing models based on a discounted cash flow analysis, with the most significant inputs being the future cash flows and discount rates that reflects the credit risk of counterparties.

56.3 Reconciliation of Level 3 fair value measurements

| | Financial assets at FVTPL | (Unaudited) Financial assets at FVOCI | Financial liabilities at FVTPL |
|---|---------------------------------|--|--------------------------------------|
| As at 1 January 2023 | 444,694,193 | 1,003,687 | – |
| Recognized in profit or loss | 14,192,325 | – | – |
| Recognized in other comprehensive income | – | 1,107 | – |
| Purchases | 177,023,364 | – | – |
| Settlements/disposals at cost | (175,543,699) | – | – |
| Transfer in Level 3 | 80,885 | – | – |
| | <hr/> | <hr/> | <hr/> |
| Transfer out from Level 3 | (259,196) | | |
| As at 30 June 2023 | <u>460,187,872</u> | <u>1,004,794</u> | <u>–</u> |
| Unrealized gains or losses for the period included in profit or loss for assets/liabilities held as at 30 June 2023 | <u>(6,054,267)</u> | <u>–</u> | <u>–</u> |

IV. EXPLANATORY NOTES (Continued)

56. Fair values of financial instruments (Continued)

56.3 Reconciliation of Level 3 fair value measurements (Continued)

| | Financial assets at FVTPL | (Audited) 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 31 December 2022 | <u>444,694,193</u> | <u>1,003,687</u> | <u>–</u> |
| Changes in unrealized gains or losses for the year included in profit or loss for assets held at the end of the year | <u>(1,705,282)</u> | <u>–</u> | <u>–</u> |

During the six months ended 30 June 2023 and the year ended 31 December 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 six months ended 30 June 2023 and the year ended 31 December 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 30 June 2023 and 31 December 2022 are presented in “fair value changes on distressed debt assets”, “fair value changes on other financial assets”, “credit impairment losses” depending on the nature or category of the related financial instruments.

IV. EXPLANATORY NOTES (Continued)

57. Acquisition of subsidiaries

For the six months ended 30 June 2023, the Group had no acquisition of subsidiaries.

58. Disposal of subsidiaries

For the six months ended 30 June 2023, the Group had no disposal of subsidiaries.

V. EVENTS AFTER THE REPORTING PERIOD

The Company paid the interest of the 2021 Undated Capital Bonds (First Tranche) at the rate of 4.40% on 16 August 2023. The aggregate interest distribution amounted to RMB440 million.

The meeting of the Board of Directors approved the resolution on the dividend distribution plan of Offshore Preference Shares on 29 August 2023, allowing the Company to distribute dividends of Offshore Preference Shares on 3 November 2023, at the rate of 4.40% per annum (after tax). The aggregate dividend distribution amounted to USD74.80 million (after tax).

According to the 2022 profit distribution plan passed in the Company's 2022 annual general meeting of the shareholders held on 20 June 2023, the Company declared cash dividends on its profit for the year ended 31 December 2022. The cash dividend distributions of the Company were completed on 18 August 2023.

VI. APPROVAL OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The interim condensed consolidated financial statements have been approved by the Board of Directors of the Company on 29 August 2023.