



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

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

2022 Interim Report



Contents

Definitions	2	4 Changes in Share Capital and Information on Substantial Shareholders	74
1 Corporate Information	3	5 Directors, Supervisors and Senior Management	78
2 Financial Summary	4	6 Significant Events	80
3 Management Discussion and Analysis	8	7 Review Report and Interim Condensed Consolidated Financial Statements	87
3.1 Economic and Regulatory Environment	8		
3.2 Analysis of Financial Statements	9		
3.3 Business Overview	35		
3.4 Risk Management	63		
3.5 Capital Management	70		
3.6 Prospects	72		

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
Articles	the current Articles of Association of China Cinda Asset Management Co., Ltd.
CBIRC	China Banking and Insurance Regulatory Commission
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 Leasing	Cinda Financial Leasing 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
COVID-19/Pandemic	Corona Virus Disease 2019
Domestic Shares	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 in Renminbi
H Shares	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
Happy Life	Happy Life Insurance Co., Ltd., a former subsidiary of the Company. As approved at the 2018 annual general meeting and by the CBIRC, the Company has transferred all of its 50.995% equity interests in Happy Life. Happy Life was no longer a subsidiary of the Company.
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
MOF	the Ministry of Finance of the PRC
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
NCB	NCB Hong Kong 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 November 3, 2021, which are listed and traded on the Hong Kong Stock Exchange (stock code: 04621)
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, 2022
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
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	Herbert Smith Freehills LLP Clifford Chance LLP
Domestic accounting firm	Ernst & Young Hua Ming LLP
International accounting firm	Ernst & Young

2 Financial Summary

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

In 2019, as approved at the general meeting, the Company entered into a legally binding transfer agreement with the transferees to transfer its 50.995% equity interests in Happy Life, 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 has approved the transfer of the equity interests, and the Company ceased to have any interests in Happy Life. For the Group's financial data for 2018, 2019, and 2020, 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 income statement separately. Since 2021, the Group has no profit or loss after tax from discontinued operations.

2 Financial Summary

	As at and for the					
	six months ended June 30,		As at and for the year ended December 31,			
	2022	2021	2021	2020	2019	2018
	(in millions of RMB)					
Continuing operations						
Income from distressed debt assets at amortized cost	5,549.7	7,612.5	13,466.6	19,150.7	16,403.6	19,308.3
Fair value changes on distressed debt assets	6,223.3	8,272.9	15,475.8	12,547.0	13,645.3	11,451.5
Fair value changes on other financial instruments	4,697.8	4,770.6	14,674.8	12,566.5	14,840.1	16,085.0
Investment income	156.5	78.8	156.8	322.5	464.5	152.9
Interest income	12,139.5	12,055.6	25,100.8	23,899.2	25,401.6	25,005.7
Revenue from sales of inventories	7,039.0	4,534.4	20,385.5	24,316.3	18,169.4	17,446.4
Other income and other net gains or losses	5,452.4	4,076.8	8,470.7	7,331.8	7,222.4	8,653.6
Total income	41,258.2	41,401.6	97,731.0	100,134.0	96,146.9	98,103.4
Impairment losses on assets	(5,876.6)	(3,179.4)	(11,722.9)	(14,096.8)	(8,924.2)	(8,156.2)
Interest expense	(19,852.7)	(20,362.4)	(41,936.9)	(39,618.5)	(44,366.6)	(46,286.5)
Purchases and changes in inventories	(5,914.9)	(3,841.3)	(16,906.4)	(17,360.4)	(12,868.8)	(11,382.2)
Other costs and expenses	(5,940.6)	(6,210.9)	(13,582.3)	(12,984.0)	(12,398.2)	(11,549.3)
Total costs and expenses	(37,584.8)	(33,594.0)	(84,148.5)	(84,059.7)	(78,557.8)	(77,374.2)
Change in net assets attributable to other holders of consolidated structured entities	(9.0)	5.8	(20.1)	(17.8)	(237.5)	(519.8)
Share of results of associates and joint ventures	3,368.0	1,934.3	5,816.5	252.7	1,920.8	2,488.4
Profit before tax from continuing operations	7,032.4	9,747.7	19,378.9	16,309.3	19,272.4	22,697.8
Income tax expense	(2,052.0)	(2,670.8)	(6,378.4)	(5,324.0)	(5,754.6)	(6,951.9)
Profit for the period/year from continuing operations	4,980.4	7,076.9	13,000.5	10,985.2	13,517.8	15,745.9
Discontinued operation						
Profit/(loss) after tax for the period/year from a discontinued operation	-	-	-	3,752.0	1,500.4	(3,866.0)
Profit for the period/year	4,980.4	7,076.9	13,000.5	14,737.3	15,018.2	11,879.9
Profit attributable to:						
– Equity holders of the Company	4,508.2	6,687.4	12,061.7	13,247.9	13,052.9	12,036.1
– Non-controlling interests	472.3	389.5	938.7	1,489.4	1,965.3	(156.2)

2 Financial Summary

	As at and for the six months ended June 30,		As at and for the year ended December 31,			
	2022	2021	2021	2020	2019	2018
	(in millions of RMB)					
Assets						
Cash and balances with central banks	13,762.2	13,493.4	18,045.7	15,375.0	19,002.1	16,651.9
Deposits with banks and financial institutions	107,629.5	108,232.4	99,921.3	87,953.6	70,837.6	80,102.6
Financial assets at fair value through profit or loss	459,316.8	453,928.9	456,203.8	446,916.7	412,164.6	428,791.0
Financial assets at fair value through other comprehensive income	127,622.4	120,099.4	122,592.3	123,728.5	136,803.0	116,827.6
Loans and advances to customers	387,546.4	366,580.1	368,031.4	353,456.3	337,859.1	336,616.5
Financial assets at amortized cost	182,389.0	209,936.2	183,535.0	220,233.0	227,645.1	252,416.7
Assets held for sale	–	–	–	–	61,394.2	–
Other assets	262,998.8	331,973.0	315,949.8	270,420.5	247,524.3	264,352.9
Total assets	1,541,265.1	1,604,243.4	1,564,279.3	1,518,083.6	1,513,230.0	1,495,759.2
Liabilities						
Borrowings from the central bank	986.1	1,025.9	996.0	986.1	1,010.9	986.1
Due to customers	304,254.9	296,068.6	298,748.1	273,644.2	275,205.8	254,099.9
Accounts payable to brokerage clients	20,220.0	16,489.5	17,605.6	16,583.8	14,320.3	10,315.8
Borrowings	548,740.3	579,614.7	555,079.1	556,912.1	536,591.3	570,870.2
Accounts payable	4,662.5	5,039.7	5,389.5	4,886.7	5,050.8	5,303.8
Bonds issued	316,927.0	380,668.5	367,806.7	355,777.5	304,849.6	283,115.1
Liabilities held for sale	–	–	–	–	57,924.1	–
Other liabilities	137,600.3	129,501.8	116,878.8	114,250.8	129,866.7	192,499.8
Total liabilities	1,333,391.1	1,408,408.7	1,362,503.8	1,323,041.2	1,324,819.5	1,317,190.7
Equity						
Equity attributable to equity holders of the Company	188,493.7	172,822.4	178,800.8	172,108.7	164,898.1	156,492.8
Non-controlling interests	19,380.2	23,012.2	22,974.7	22,933.7	23,512.3	22,075.6
Total equity	207,873.9	195,834.7	201,775.5	195,042.4	188,410.5	178,568.5
Total equity and liabilities	1,541,265.1	1,604,243.4	1,564,279.3	1,518,083.6	1,513,230.0	1,495,759.2

	As at and for the		As at and for the year ended December 31,			
	six months ended June 30,					
	2022	2021	2021	2020	2019	2018
	(in millions of RMB)					
Financial indicators						
Return on average shareholders' equity ⁽¹⁾⁽³⁾ (%)	5.75	7.49	7.15	8.26	8.56	8.32
Return on average assets ⁽²⁾⁽³⁾ (%)	0.64	0.91	0.84	0.97	1.00	0.82
Cost-to-income ratio ⁽⁴⁾ (%)	35.14	33.41	32.15	25.46	30.68	30.51
Earnings per share ⁽⁵⁾ (RMB)	0.12	0.15	0.29	0.32	0.31	0.29
Net assets per share ⁽⁶⁾ (RMB)	4.08	3.97	4.14	3.95	3.76	3.54

Notes:

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

Since the beginning of 2022, due to the intensified geopolitical conflicts and the repeated COVID-19 outbreaks, the global economic recovery has been slowing down. Global supply chains have been disrupted, energy and food prices have risen sharply, leading to persistent inflationary pressures. Monetary policies in major economies have begun to shift, global liquidity has contracted, increasing the risk of recession. Emerging economies are faced with significant sovereign debt risks and rising systemic financial risks.

In the first half of 2022, China's economy experienced some ups and downs, with GDP growing by 2.5%. However, the fundamentals of long-term sound growth remain unchanged. China maintained economic recovery momentum in Q1, but was faced with increased downward pressure on the economy in Q2 due to the pandemic impact. However, thanks to the rise of production and supply, accelerated recovery of demand, and the continuous optimization and upgrade of structure, the economy shows the signs of recovery.

Faced with an increasingly complex, grim and uncertain development environment, the Chinese government has fully implemented the new development concepts, coordinated the pandemic prevention and control with social and economic development based on the guidelines of “ensuring pandemic prevention, stable economy and secure development”, and enhanced macro policy adjustments to keep the economy operating within a reasonable range, including: enhancing the implementation of a proactive fiscal policy by reducing the tax burden on enterprises and accelerating expenditure pace; supporting the local governments in issuing special bonds, actively expanding investment and consumption, ensuring food and energy security, and maintaining the stability of industrial and supply chains; implementing prudent monetary policy in line with the principle of “stabilizing economy, expanding incremental growth, reducing costs, and promoting opening up”, in order to maintain reasonable and adequate liquidity, steadily increase total credit, effectively reduce financing costs, and keep prices basically stable; making full use of structural monetary policy tools, enhancing the support for inclusive loans to micro and small businesses, and promoting effective investment in infrastructure development and major projects; accelerating the supply-side structural reform of the financial sector and improving a modern financial system that is highly adaptable, competitive and inclusive; establishing institutions and mechanisms for the financial sector to effectively support the real economy, guiding the financial institutions to enhance the support for small and micro businesses, manufacturing, scientific and technological innovation, and green development, and promoting the healthy development and virtuous cycle of the real estate market.

3 Management Discussion and Analysis

Adhering to the bottom-line thinking, the regulators have strengthened the systematic concept, and made coordinated efforts to prevent and defuse major financial risks according to the principle of market and law. The first priority is to enhance the disposal of distressed assets and effectively cope with the rapid rebound of non-performing loans. Commercial banks are supervised to implement prudent classification of asset risks and make adequate provision, financial institutions are encouraged to speed up the disposal of non-performing loans resulting from the inclusive loans to small and micro businesses, enrich the disposal channels, and improve the quality and efficiency of disposal. The second priority is to guide AMCAs to actively defuse risks and revitalize existing assets. AMCAs are supported to revitalize the inefficient assets through acquisition and disposal of distressed assets, substantive restructuring, and market-based debt-equity swaps, and encouraged to participate in the merger and reorganization of high-risk small and medium-sized financial institutions, and carry out asset disposal, project mergers and acquisitions and related financial intermediary services of distressed real estate enterprises. The third priority is to support the high-quality development of AMCAs. AMCAs should accurately define their responsibilities in the new era, stick to their primary responsibilities and major businesses, keep to integrity and innovation, and make greater contributions to financial stability and security. On the whole, the distressed asset industry is faced with certain operation pressure, but with the deepening of industry reform, expansion of business scope and acceleration of business model transformation, the development quality will be further improved.

3.2 Analysis of Financial Statements

3.2.1 Operating Results of the Group

In the first half of 2022, the international landscape continued to undergo profound and complex changes. The world is experiencing the combined impacts of major changes and the pandemic both unseen in a century, and economic globalization is facing headwinds; the domestic sporadic outbreaks of the pandemic led to further increased economic downward pressure, and the complexity and uncertainty of the economic development environment increased. In the face of internal and external pressures and challenges, the Group continued to implement the concept of high-quality development, focused on its main responsibilities and main businesses, closely focused on the three tasks of preventing and defusing financial risks, serving the real economy and deepening financial reform, adhered to the integrity and innovation, and actively performing its unique function as a “stabilizer” of the financial market, with generally stable operations and manageable risks. However, due to the impact of the macroeconomic downturn and the pandemic, certain operating indicators of profitability and asset quality declined compared with the same period last year.

In the first half of 2022, net profit attributable to equity holders of the Company amounted to RMB4,508.2 million, representing a decrease of RMB2,179.2 million, or 32.6% year-on-year. Annualized ROAE and annualized ROAA were 5.75% and 0.64%, respectively.

3 Management Discussion and Analysis

	For the six months ended June 30,			
	2022	2021	Change	Change in percentage
	(in millions of RMB)			(%)
Income from distressed debt assets				
at amortized cost	5,549.7	7,612.5	(2,062.8)	(27.1)
Fair value changes on distressed debt assets	6,223.3	8,272.9	(2,049.6)	(24.8)
Fair value changes on other financial instruments	4,697.8	4,770.6	(72.8)	(1.5)
Investment income	156.5	78.8	77.7	98.6
Interest income	12,139.5	12,055.6	83.9	0.7
Revenue from sales of inventories	7,039.0	4,534.4	2,504.6	55.2
Commission and fee income	2,451.7	2,462.2	(10.5)	(0.4)
Net gains on disposal of subsidiaries, associates and joint ventures	1,246.5	282.3	964.2	341.6
Other income and other net gains or losses	1,754.1	1,332.3	421.8	31.7
Total income	41,258.2	41,401.6	(143.4)	(0.3)
Commission and fee expense	(303.0)	(296.3)	(6.7)	2.3
Purchases and changes in inventories	(5,914.9)	(3,841.3)	(2,073.6)	54.0
Employee benefits	(2,693.0)	(3,134.0)	441.0	(14.1)
Impairment losses on assets	(5,876.6)	(3,179.4)	(2,697.2)	84.8
Interest expense	(19,852.7)	(20,362.4)	509.7	(2.5)
Other expenses	(2,944.6)	(2,780.7)	(163.9)	5.9
Total costs and expenses	(37,584.8)	(33,594.0)	(3,990.8)	11.9
Change in net assets attributable to other holders of consolidated structured entities	(9.0)	5.8	(14.8)	(255.2)
Share of results of associates and joint ventures	3,368.0	1,934.3	1,433.7	74.1
Profit before tax	7,032.4	9,747.7	(2,715.3)	(27.9)
Income tax expense	(2,052.0)	(2,670.8)	618.8	(23.2)
Profit for the period	4,980.4	7,076.9	(2,096.5)	(29.6)
Profit attributable to:				
– Equity holders of the Company	4,508.2	6,687.4	(2,179.2)	(32.6)
– Non-controlling interests	472.3	389.5	82.8	21.3

3 Management Discussion and Analysis

3.2.1.1 Total Income

In the first half of 2022, the total income of the Group remained stable as compared with the same period of last year, decreasing from RMB41,401.6 million in the first half of 2021 to RMB41,258.2 million in the first half of 2022, with a decrease of 0.3%, mainly because the decrease in income from distressed debt assets at amortised cost and fair value changes on distressed debt assets as compared with the same period of last year, partially offset by the increase in income from sales of inventories and net gains on disposal of subsidiaries, associates and joint ventures.

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 27.1% from RMB7,612.5 million in the first half of 2021 to RMB5,549.7 million in the first half of 2022, which accounted for 18.4% and 13.5% of the total income in the corresponding periods, respectively. The decrease in the income from distressed debt assets at amortized cost was mainly due to the decrease in the balance of the restructured distressed debt assets of the Company, and the phased increase in restructured distressed debt assets classified as substandard, doubtful and loss due to the pandemic and macroeconomic impact.

Fair Value Changes on Distressed Debt Assets

The fair value changes on distressed debt assets of the Group decreased by 24.8% from RMB8,272.9 million in the first half of 2021 to RMB6,223.3 million in the first half of 2022. The fair value changes on acquisition-operation distressed debt assets decreased by 30.9% from RMB6,817.1 million in the first half of 2021 to RMB4,713.9 million in the first half of 2022, accounting for 16.5% and 11.4% of the total income in the corresponding periods, respectively.

3 Management Discussion and Analysis

The table below sets out the components of fair value changes on acquisition-operation distressed debt assets of the Group for the periods indicated.

	For the six months ended June 30,			
	2022	2021	Change	Change in percentage
	(in millions of RMB)			(%)
Realized fair value changes	3,880.9	6,099.2	(2,218.3)	(36.4)
Unrealized fair value changes	833.0	717.9	115.1	16.0
Subtotal	4,713.9	6,817.1	(2,103.2)	(30.9)

The table below sets out the changes on acquisition-operation distressed debt assets at fair value of the Group as at the dates and for the periods indicated.

	For the six months ended June 30 (in millions of RMB)
As at December 31, 2020	198,746.2
Acquisition in the period	21,751.1
Disposal in the period	(20,373.7)
Unrealized fair value changes	717.9
As at June 30, 2021	200,841.5
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

In the first half of 2022, the fair value changes on acquisition-operation distressed debt assets of the Group decreased by 30.9% over the same period of 2021. In particular, the realized fair value changes decreased by 36.4% from RMB6,099.2 million in the first half of 2021 to RMB3,880.9 million in the first half of 2022; the unrealized fair value changes increased by 16.0% from RMB717.9 million in the first half of 2021 to RMB833.0 million in the first half of 2022.

3 Management Discussion and Analysis

In the first half of 2022, as the Group continued to focus on the distressed asset market to maintain the dominant position of core business by increasing its investment in the acquisition-operation distressed debt assets business. The acquisition scale increased from RMB21,751.1 million in the first half of 2021 to RMB25,803.5 million in the first half of 2022, and the disposal scale remained stable year-on-year, amounting to RMB20,373.7 million in the first half of 2021 and RMB20,372.0 million in the first half of 2022, 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 decreased by 1.5% from RMB4,770.6 million in the first half of 2021 to RMB4,697.8 million in the first half of 2022, accounting for 11.5% and 11.4% of the total income for the respective periods. Of which, the fair value changes on DES Assets were RMB722.4 million and RMB1,020.4 million, respectively, accounting for 1.7% and 2.5% of the total income for the respective periods.

3 Management Discussion and Analysis

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,			
	2022	2021	Change	Change in percentage
	(in millions of RMB)			(%)
Fair value changes⁽¹⁾	502.6	8.0	494.6	6,182.5
DES Assets of the Company	701.8	485.4	216.4	44.6
Others	(199.2)	(477.4)	278.2	(58.3)
Interest income	1,790.3	1,724.6	65.7	3.8
Dividend income	2,404.9	3,038.0	(633.1)	(20.8)
DES Assets of the Company	318.6	237.0	81.6	34.4
Others	2,086.3	2,801.0	(714.7)	(25.5)
Total	4,697.8	4,770.6	(72.8)	(1.5)

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 increased by 44.6% from RMB485.4 million in the first half of 2021 to RMB701.8 million in the first half of 2022, mainly due to the increase in gains on the disposal of DES assets as compared with the same period of last year.

The losses of fair value changes on other financial instruments except for DES Assets at fair value through profit or loss decreased by 58.3% from RMB477.4 million in the first half of 2021 to RMB199.2 million in the first half of 2022.

Investment Income

In the first half of 2022, the investment income of the Group was RMB156.5 million, representing an increase of 98.6% from RMB78.8 million in the first half of 2021, mainly due to the increase in the disposal income of debt securities at fair value through other comprehensive income.

3 Management Discussion and Analysis

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,			
	2022	2021	Change	Change in percentage
	(in millions of RMB)			(%)
Loans and advances to customers	7,930.4	8,161.7	(231.3)	(2.8)
Other debt investment at amortized cost	1,662.1	1,233.7	428.4	34.7
Financial assets at fair value through other comprehensive income	1,107.4	1,145.3	(37.9)	(3.3)
Deposits with banks and financial institutions	707.5	632.5	75.0	11.9
Financial assets held under resale agreements	484.7	668.1	(183.4)	(27.5)
Others	247.4	214.3	33.1	15.4
Total	12,139.5	12,055.6	83.9	0.7

The interest income of the Group in the first half of 2022 increased by 0.7% compared with the same period of last year, mainly due to the increase in interest income from other debt investment at amortized cost, partly offset by the decrease in interest income from loans and advances to customers and financial assets held under resale agreements.

- (1) The interest income from other debt investment at amortized cost increased by 34.7% from RMB1,233.7 million in the first half of 2021 to RMB1,662.1 million in the first half of 2022, mainly due to the increase in other debt investment at amortized cost of Cinda Investment.
- (2) The interest income from loans and advances to customers decreased by 2.8% from RMB8,161.7 million in the first half of 2021 to RMB7,930.4 million in the first half of 2022, mainly affected by the decrease in market interest rate.
- (3) The interest income from financial assets held under resale agreements decreased by 27.5% from RMB668.1 million in the first half of 2021 to RMB484.7 million in the first half of 2022, mainly due to the decrease in financial assets held under resale agreements.

3 Management Discussion and Analysis

Commission and Fee Income

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

	For the six months ended June 30,			
	2022	2021	Change	Change in percentage
	(in millions of RMB)			(%)
Fund and asset management business	709.9	469.9	240.0	51.1
Securities and futures brokerage	638.6	632.3	6.3	1.0
Banking business	316.2	387.1	(70.9)	(18.3)
Trustee services	298.0	205.1	92.9	45.3
Agency business	233.6	414.8	(181.2)	(43.7)
Consultancy and financial advisory services	119.4	123.2	(3.8)	(3.1)
Securities underwriting	49.2	81.8	(32.6)	(39.9)
Others	86.9	148.1	(61.2)	(41.3)
Total	2,451.7	2,462.2	(10.5)	(0.4)

The commission and fee income of the Group decreased by 0.4% from RMB2,462.2 million in the first half of 2021 to RMB2,451.7 million in the first half of 2022, mainly due to the decrease in the commission and fee income from agency business and banking business, partly offset by the increase in the commission and fee income from fund and asset management business, of which:

- (1) The commission and fee income from agency business decreased by 43.7% from RMB414.8 million in the first half of 2021 to RMB233.6 million in the first half of 2022, mainly due to the decrease in the agency sale of stocks and funds by NCB.
- (2) The commission and fee income from banking business decreased by 18.3% from RMB387.1 million in the first half of 2021 to RMB316.2 million in the first half of 2022.
- (3) The commission and fee income from fund and asset management business increased by 51.1% from RMB469.9 million in the first half of 2021 to RMB709.9 million in the first half of 2022, mainly due to the increase in the scale of mutual funds managed by Cinda Securities.

3 Management Discussion and Analysis

Revenue from Sales of Inventories and Purchases and Changes in Inventories

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

	For the six months ended June 30,			
	2022	2021	Change	Change in percentage
	(in millions of RMB)			(%)
Revenue from sales of inventories	7,039.0	4,534.4	2,504.6	55.2
Purchases and changes in inventories	(5,914.9)	(3,841.3)	(2,073.6)	54.0
Including:				
Revenue from sales of properties held for sale	7,022.6	4,277.6	2,745.0	64.2
Purchases and changes in properties held for sale	(5,909.4)	(3,594.8)	(2,314.6)	64.4
Gross profit from sales of properties held for sale	1,113.2	682.7	430.5	63.1
Gross profit margin from sales of properties held for sale (%)	15.9	16.0	(0.1)	(0.7)

The revenue from sales of inventories of the Group increased by 55.2% from RMB4,534.4 million in the first half of 2021 to RMB7,039.0 million in the first half of 2022, the purchases and changes in inventories increased by 54.0% from RMB3,841.3 million in the first half of 2021 to RMB5,914.9 million in the first half of 2022, mainly due to the increase in the project delivery scale of Cinda Real Estate in the first half of 2022 compared with the same period of last year, with a corresponding increase of revenue from sales of properties held for sale and purchases and changes in properties held for sale.

Net Gains on Disposal of Subsidiaries, Associates and Joint Ventures

The net gains on disposal of subsidiaries, associates and joint ventures of the Group increased by 341.6% from RMB282.3 million in the first half of 2021 to RMB1,246.5 million in the first half of 2022, mainly due to the significant gain in the proceeds from disposal of associates by the Company and disposal of subsidiaries by Cinda Real Estate in the first half of 2022.

3 Management Discussion and Analysis

Other Income and Other Net Gains or Losses

Other income and other net gains or losses of the Group increased by 31.7% from RMB1,332.3 million in the first half of 2021 to RMB1,754.1 million in the first half of 2022, mainly due to changes in exchange gains and losses, partly offset by decrease in liquidated damages. Of which,

- (1) The exchange gains or losses changed from a loss of RMB365.5 million in the first half of 2021 to a gain of RMB839.1 million in the first half of 2022, mainly due to the exchange rate fluctuations of the USD and HKD.
- (2) The income from liquidated damages decreased from RMB564.5 million in the first half of 2021 to RMB104.8 million in the first half of 2022, mainly due to the decrease in the income from liquidated damages of Cinda Real Estate.

3.2.1.2 Total Costs and Expenses

In the first half of 2022, total costs and expenses of the Group increased compared with the same period of last year.

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,			
	2022	2021	Change	Change in percentage
	(in millions of RMB)			(%)
Interest expense	(19,852.7)	(20,362.4)	509.7	(2.5)
Purchases and changes in inventories	(5,914.9)	(3,841.3)	(2,073.6)	54.0
Impairment losses on assets	(5,876.6)	(3,179.4)	(2,697.2)	84.8
Employee benefits	(2,693.0)	(3,134.0)	441.0	(14.1)
Depreciation and amortization expenses	(1,005.3)	(1,026.6)	21.3	(2.1)
Commission and fee expense	(303.0)	(296.3)	(6.7)	2.3
Tax and surcharges	(300.6)	(267.4)	(33.2)	12.4
Other expenses	(1,638.7)	(1,486.7)	(152.0)	10.2
Total	(37,584.8)	(33,594.0)	(3,990.8)	11.9

The total costs and expenses of the Group increased by 11.9% from RMB33,594.0 million in the first half of 2021 to RMB37,584.8 million in the first half of 2022, mainly due to the increase in impairment losses on assets and purchases and changes in inventories.

3 Management Discussion and Analysis

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,			
	2022	2021	Change	Change in percentage
	(in millions of RMB)			(%)
Borrowings	(11,225.4)	(11,449.2)	223.8	(2.0)
Bonds issued	(6,392.5)	(6,990.6)	598.1	(8.6)
Due to customers	(1,716.9)	(1,577.1)	(139.8)	8.9
Financial assets sold under repurchase agreements	(173.6)	(74.8)	(98.8)	132.1
Deposits from banks and financial institutions	(159.7)	(123.6)	(36.1)	29.2
Placements from banks and financial institutions	(115.3)	(54.3)	(61.0)	112.3
Accounts payable to brokerage clients	(41.7)	(27.4)	(14.3)	52.2
Lease liabilities	(21.5)	(18.5)	(3.0)	16.2
Others	(6.2)	(46.9)	40.7	(86.8)
Total	(19,852.7)	(20,362.4)	509.7	(2.5)

In the first half of 2022, the interest expense of the Group was RMB19,852.7 million, representing a decrease of 2.5% from RMB20,362.4 million in the first half of 2021, of which:

- (1) The interest expense on borrowings decreased by 2.0% from RMB11,449.2 million in the first half of 2021 to RMB11,225.4 million in the first half of 2022 and the interest expense on bonds issued decreased by 8.6% from RMB6,990.6 million in the first half of 2021 to RMB6,392.5 million in the first half of 2022, mainly due to the decrease in the scales of borrowings and bonds issued of the Group as compared with the same period of last year.
- (2) The interest expense on due to customers increased by 8.9% from RMB1,577.1 million in the first half of 2021 to RMB1,716.9 million in the first half of 2022, mainly due to the increase in the interest rate and scale of deposits from customers of NCB.

3 Management Discussion and Analysis

Impairment Losses on Assets

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

	For the six months ended June 30,			
	2022	2021	Change	Change in percentage
	(in millions of RMB)			(%)
Financial assets at amortized cost				
Distressed debt assets	(4,438.3)	(877.2)	(3,561.1)	406.0
Other debt investments	(484.2)	(48.2)	(436.0)	904.6
Loans and advances to customers	(755.4)	(1,802.3)	1,046.9	(58.1)
Financial assets at fair value through other comprehensive income	(110.5)	(10.7)	(99.8)	932.7
Assets in satisfaction of debts	(98.6)	(14.2)	(84.4)	594.4
Accounts receivable	(23.6)	(38.5)	14.9	(38.7)
Properties held for sale	(16.9)	(203.8)	186.9	(91.7)
Financial assets held under resale agreements	11.7	51.2	(39.5)	(77.1)
Credit commitments	0.4	(180.4)	180.8	(100.2)
Property and equipment	–	(20.7)	20.7	(100.0)
Other assets	38.7	(34.6)	73.3	(211.8)
Total	(5,876.6)	(3,179.4)	(2,697.2)	84.8

The impairment losses on assets of the Group increased by 84.8% from RMB3,179.4 million in the first half of 2021 to RMB5,876.6 million in the first half of 2022, of which:

- (1) The impairment losses on distressed debt assets at amortized cost increased by 406.0% from RMB877.2 million in the first half of 2021 to RMB4,438.3 million in the first half of 2022, mainly due to the impact of the macroeconomic situation and changes in the market environment, the quality of distressed debt assets at amortized cost came under pressure and the scale of impaired assets and impairment ratios rose in phases, with a corresponding increase in the overall provision level.
- (2) The impairment losses on loans and advances to customers decreased by 58.1% from RMB1,802.3 million in the first half of 2021 to RMB755.4 million in the first half of 2022, mainly due to the year-on-year decrease in the scale of impaired loans and advances to customers.

3 Management Discussion and Analysis

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,			
	2022	2021	Change	Change in percentage
	(in millions of RMB)			(%)
Profit before tax	7,032.4	9,747.7	(2,715.3)	(27.9)
Income tax expense	(2,052.0)	(2,670.8)	618.8	(23.2)
Effective tax rate (%)	29.2	27.4	1.8	6.5

The income tax expense of the Group decreased by 23.2% from RMB2,670.8 million in the first half of 2021 to RMB2,052.0 million in the first half of 2022. The effective tax rate of the Group was 27.4% and 29.2% in the first half of 2021 and the first half of 2022, respectively.

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.

3 Management Discussion and Analysis

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

	For the six months ended June 30,							
	2022	2021	2022	2021	2022	2021	2022	2021
	Distressed asset management		Financial services		Elimination		Consolidation	
(in millions of RMB)								
Total income	30,299.4	31,625.0	11,083.6	10,013.4	(124.7)	(236.8)	41,258.2	41,401.6
Percentage of total (%)	73.4	76.4	26.9	24.2				
Total costs and expenses	(29,693.9)	(26,572.0)	(8,081.6)	(7,267.5)	190.6	245.5	(37,584.8)	(33,594.0)
Profit before tax	3,982.1	6,987.0	2,984.5	2,751.9	65.9	8.7	7,032.4	9,747.7
Percentage of total (%)	56.6	71.7	42.4	28.2				
Profit margin before tax (%)	13.1	22.1	26.9	27.5			17.0	23.5
Return on average net assets before tax ⁽¹⁾ (%)	6.4	12.1	7.7	7.3			6.9	10.0

	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
	2022	2021	2022	2021	2022	2021	2022	2021
Distressed asset management		Financial services		Elimination and unallocated part ⁽²⁾		Consolidation		
(in millions of RMB)								
Total assets	945,816.5	997,493.4	606,867.3	577,358.0	(11,418.8)	(10,572.1)	1,541,265.1	1,564,279.3
Percentage of total (%)	61.4	63.8	39.4	36.9				
Net assets	127,024.5	122,017.9	76,670.8	77,668.3	4,178.6	2,089.4	207,873.9	201,775.5
Percentage of total (%)	61.1	60.5	36.9	38.5				

3 Management Discussion and Analysis

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. In the first half of 2021 and the first half of 2022, the income generated from distressed asset management accounted for 76.4% and 73.4% of the total income, respectively, and the profit before tax generated from distressed asset management accounted for 71.7% and 56.6% of the total profit before tax, respectively. As at December 31, 2021 and June 30, 2022, the total assets of distressed asset management accounted for 63.8% and 61.4% of the total assets, and the net assets of distressed asset management accounted for 60.5% and 61.1% of the net assets, respectively. For this segment, in the first half of 2021 and the first half of 2022, the profit margin before tax were 22.1% and 13.1%, and annualized return on average net asset before tax was 12.1% and 6.4%, 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 revenue and profit before tax of the financial services segment in the first half of 2022 increased year on year, accounting for 24.2% and 26.9% of the total revenue, and 28.2% and 42.4% of profit before tax for the first half of 2021 and 2022, respectively. As at June 30, 2022, the total assets increased and the net assets slightly decreased as compared with those at the end of 2021.

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

In the first half of 2022, the assets and liabilities of the Group both decreased slightly, compared with the end of last year. As at December 31, 2021 and June 30, 2022, the total assets of the Group amounted to RMB1,564,279.3 million and RMB1,541,265.1 million, respectively, representing a decrease of 1.5%; total liabilities amounted to RMB1,362,503.8 million and RMB1,333,391.1 million, respectively, representing a decrease of 2.1%; and total equity amounted to RMB201,775.5 million and RMB207,873.9 million, respectively, representing an increase of 3.0%.

3 Management Discussion and Analysis

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, 2022		As at December 31, 2021	
	Amount	% of total	Amount	% of total
	(in millions of RMB)			
Assets				
Cash and balances with central banks	13,762.2	0.9	18,045.7	1.2
Deposits with banks and financial institutions	107,629.5	7.0	99,921.3	6.4
Financial assets at fair value through profit or loss	459,316.8	29.8	456,203.8	29.2
Financial assets at fair value through other comprehensive income	127,622.4	8.3	122,592.3	7.8
Loans and advances to customers	387,546.4	25.1	368,031.4	23.5
Financial assets at amortized cost	182,389.0	11.8	183,535.0	11.7
Other assets	262,998.8	17.1	315,949.8	20.2
Total assets	1,541,265.1	100.0	1,564,279.3	100.0
Liabilities				
Borrowings from the central bank	986.1	0.1	996.0	0.1
Accounts payable to brokerage clients	20,220.0	1.5	17,605.6	1.3
Due to customers	304,254.9	22.8	298,748.1	21.9
Borrowings	548,740.3	41.2	555,079.1	40.7
Accounts payable	4,662.5	0.3	5,389.5	0.4
Bonds issued	316,927.0	23.8	367,806.7	27.0
Other liabilities	137,600.3	10.3	116,878.8	8.6
Total liabilities	1,333,391.1	100.0	1,362,503.8	100.0
Equity				
Equity attributable to equity holders of the Company	188,493.7	90.7	178,800.8	88.6
Non-controlling interests	19,380.2	9.3	22,974.7	11.4
Total equity	207,873.9	100.0	201,775.5	100.0
Total equity and liabilities	1,541,265.1		1,564,279.3	

3 Management Discussion and Analysis

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, 2021 and June 30, 2022, monetary capital amounted to RMB117,967.0 million and RMB121,391.7 million, representing an increase of 2.9%, mainly due to the increase in deposits with banks and financial institutions of the Company.

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, 2022	As at December 31, 2021	Change	Change in percentage
(in millions of RMB)				
(%)				
Financial assets classified as at fair value through profit or loss				
Listed investments				
Debt securities	20,763.4	18,539.5	2,223.9	12.0
Equity investments	19,023.3	19,169.3	(146.0)	(0.8)
Funds	8,353.3	5,693.8	2,659.5	46.7
Corporate convertible bonds	824.1	343.9	480.2	139.6
Certificates of deposit	–	1,268.9	(1,268.9)	(100.0)
Unlisted investments				
Distressed debt assets	210,004.0	203,739.5	6,264.5	3.1
Funds	87,655.9	93,315.4	(5,659.5)	(6.1)
Equity investments	52,743.4	51,174.9	1,568.5	3.1
Trust products and asset management plans	26,113.8	26,176.6	(62.8)	(0.2)
Debt instruments	18,863.0	22,393.1	(3,530.1)	(15.8)
Securities investments	11,249.4	11,433.8	(184.4)	(1.6)
Derivative financial assets	1,950.7	1,087.4	863.3	79.4
Wealth management products	1,470.1	1,531.9	(61.8)	(4.0)
Others	302.5	335.8	(33.3)	(9.9)
Total	459,316.8	456,203.8	3,113.0	0.7

3 Management Discussion and Analysis

As at December 31, 2021 and June 30, 2022, financial assets at fair value through profit or loss were RMB456,203.8 million and RMB459,316.8 million, respectively, among which, distressed debt assets and debt securities increased while debt instruments and funds decreased.

- (1) As at December 31, 2021 and June 30, 2022, the distressed debt assets of financial assets classified as at fair value through profit or loss were RMB203,739.5 million and RMB210,004.0 million, respectively, increasing by 3.1%, 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, 2021 and June 30, 2022, debt securities at fair value through profit or loss were RMB18,539.5 million and RMB20,763.4 million, respectively, increasing by 12.0%, mainly due to the increase in the balance of debt securities of Cinda Securities.
- (3) As at December 31, 2021 and June 30, 2022, debt instruments at fair value through profit or loss were RMB22,393.1 million and RMB18,863.0 million, respectively, decreasing by 15.8%.
- (4) As at December 31, 2021 and June 30, 2022, listed and unlisted funds at fair value through profit or loss were RMB99,009.2 million and RMB96,009.2 million, respectively, decreasing by 3.0%.

3 Management Discussion and Analysis

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

	As at June 30, 2022	As at December 31, 2021	Change	Change in percentage
(in millions of RMB)				
The Group				
Listed	19,023.3	19,169.3	(146.0)	(0.8)
Unlisted	52,743.4	51,174.9	1,568.5	3.1
Total	71,766.7	70,344.2	1,422.5	2.0
The Company				
Listed	10,094.6	11,877.4	(1,782.8)	(15.0)
Unlisted	24,110.1	23,445.6	664.5	2.8
Subtotal	34,204.7	35,323.0	(1,118.3)	(3.2)
Among which:				
DES Assets	32,161.8	33,204.6	(1,042.8)	(3.1)
Others	2,042.9	2,118.4	(75.5)	(3.6)
Subtotal	34,204.7	35,323.0	(1,118.3)	(3.2)

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.

3 Management Discussion and Analysis

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, 2022	As at December 31, 2021	Change	Change in percentage
(in millions of RMB)				
				(%)
Debt securities	121,462.4	112,987.4	8,475.0	7.5
Equity instruments	5,359.6	8,710.9	(3,351.3)	(38.5)
Interest receivable	800.5	894.1	(93.6)	(10.5)
Total	127,622.4	122,592.3	5,030.1	4.1

As at December 31, 2021 and June 30, 2022, financial assets at fair value through other comprehensive income were RMB122,592.3 million and RMB127,622.4 million, respectively, representing an increase of 4.1%, mainly due to the increase in government bonds and financial institution bonds.

3 Management Discussion and Analysis

Loans and Advances to Customers

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

	As at June 30, 2022	As at December 31, 2021	Change	Change in percentage (%)
(in millions of RMB)				
By business type				
Corporate and personal loans and advances	318,957.1	304,972.1	13,985.0	4.6
Loans to margin clients	9,174.1	11,361.5	(2,187.4)	(19.3)
Finance lease receivables	68,643.5	61,295.6	7,347.9	12.0
Total	396,774.7	377,629.2	19,145.5	5.1
By security type				
Mortgaged	56,081.8	55,922.2	159.6	0.3
Pledged	141,250.3	129,809.6	11,440.7	8.8
Guaranteed	61,976.4	55,084.1	6,892.3	12.5
Unsecured	137,466.2	136,813.3	652.9	0.5
Total	396,774.7	377,629.2	19,145.5	5.1
Allowances for impairment losses	(9,228.4)	(9,597.8)	369.4	(3.8)
Net balance	387,546.4	368,031.4	19,515.0	5.3

3 Management Discussion and Analysis

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

	As at June 30, 2022	As at December 31, 2021	Change	Change in percentage
(in millions of RMB)				
(%)				
Corporate loans and advances				
Loans and advances	267,468.3	252,940.4	14,527.9	5.7
Discounted bills	558.9	355.2	203.7	57.3
Subtotal	268,027.2	253,295.6	14,731.6	5.8
Personal loans and advances				
Mortgages	29,032.5	29,589.1	(556.6)	(1.9)
Personal consumption loans	21,897.4	22,087.4	(190.0)	(0.9)
Subtotal	50,929.9	51,676.5	(746.6)	(1.4)
Total	318,957.1	304,972.1	13,985.0	4.6

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 amount of principal.

3 Management Discussion and Analysis

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

	As at June 30, 2022	As at December 31, 2021	Change	Change in percentage (%)
(in millions of RMB)				
Distressed debt assets				
Acquired from financial institutions	5,337.8	6,336.0	(998.2)	(15.8)
Acquired from non-financial institutions	129,522.8	138,207.0	(8,684.2)	(6.3)
Subtotal	134,860.6	144,543.0	(9,682.4)	(6.7)
Interest accrued	5,284.5	4,389.6	894.9	20.4
Allowances for impairment losses	(16,483.4)	(14,459.9)	(2,023.5)	14.0
Net balance	123,661.7	134,472.7	(10,811.0)	(8.0)
Other debt investments	58,821.8	50,052.2	8,769.6	17.5
Interest accrued	2,122.7	900.1	1,222.6	135.8
Allowances for impairment losses	(2,217.2)	(1,889.9)	(327.3)	17.3
Net balance	58,727.4	49,062.3	9,665.1	19.7
Total	182,389.0	183,535.0	(1,146.0)	(0.6)

3 Management Discussion and Analysis

As at June 30, 2022, the total balance of distressed debt assets at amortized cost was RMB134,860.6 million, all of which are the Group's restructured distressed debt assets, decreasing by 6.7% from RMB144,543.0 million as at December 31, 2021, mainly because the Company continued to make prudent and effective investments and strengthened efforts in risk resolution, which leads to the decrease in the balance of restructured distressed debt assets.

As at June 30, 2022, the total balance of other debt investments at amortized cost was RMB58,821.8 million, increasing by 17.5% from RMB50,052.2 million as at December 31, 2021.

3.2.2.2 Liabilities

Liabilities of the Group mainly consist of borrowings, bonds issued and due to customers, accounting for 41.2%, 23.8% and 22.8% of the total liabilities of the Group as at June 30, 2022, respectively.

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

	As at June 30, 2022		As at December 31, 2021	
	Amount	% of total	Amount	% of total
	(in million of RMB)			
Borrowings	548,740.3	43.6	555,079.1	43.0
Bonds issued	316,927.0	25.2	367,806.7	28.5
Due to customers	304,254.9	24.2	298,748.1	23.1
Financial assets sold under repurchase agreements	29,146.8	2.3	15,095.8	1.2
Placements from banks and other financial institutions	20,875.4	1.7	16,277.7	1.3
Accounts payable to brokerage clients	20,220.0	1.6	17,605.6	1.4
Deposits from banks and financial institutions	18,522.4	1.5	19,976.9	1.5
Total	1,258,686.8	100.0	1,290,589.9	100.0

3 Management Discussion and Analysis

Borrowings

As at June 30, 2022, the balance of borrowings of the Group amounted to RMB548,740.3 million, decreasing by 1.1% from RMB555,079.1 million as at December 31, 2021.

Bonds Issued

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

	As at June 30, 2022	As at December 31, 2021
(in millions of RMB)		
Financial bonds	105,813.9	114,468.6
USD guaranteed senior notes	86,864.6	86,208.0
Asset-backed securities	62,226.1	111,573.4
Corporate bonds	22,742.9	19,671.9
Certificates of deposit	11,711.4	5,000.7
Mid-term notes	9,431.2	7,072.2
Tier-2 capital bonds	8,200.6	8,022.9
Subordinated notes	4,692.1	4,457.0
Debt financing plans	2,634.2	2,603.9
Beneficiary certificates	1,660.6	5,286.9
Subordinated bonds	940.7	2,681.5
HKD bonds	8.7	8.3
Asset-backed notes	–	751.4
Total	316,927.0	367,806.7

As at June 30, 2022, the balance of the Group's bonds issued amounted to RMB316,927.0 million, a decrease of 13.8% from RMB367,806.7 million in December 31, 2021, mainly due to the Group optimizing the scale of liquidity reserves and appropriately adjusting the pace of bond financing against the backdrop of easing external liquidity.

3 Management Discussion and Analysis

Due to Customers

As at December 31, 2021 and June 30, 2022, the balance of due to customers of the Group amounted to RMB298,748.1 million and RMB304,254.9 million, respectively, with an increase of 1.8% as compared with the end of last year. The increase in due to customers of the Group mainly due to the increase in demand deposits from NCB.

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

	As at June 30, 2022	As at December 31, 2021	Change	Change in percentage
(in millions of RMB)				
				(%)
Demand deposits	106,204.1	99,877.2	6,326.9	6.3
Corporate	54,975.4	50,122.6	4,852.8	9.7
Personal	51,228.7	49,754.6	1,474.1	3.0
Time deposits	183,288.3	185,639.8	(2,351.5)	(1.3)
Corporate	108,906.2	111,651.3	(2,745.1)	(2.5)
Personal	74,382.1	73,988.5	393.6	0.5
Guarantee deposits	13,497.8	12,078.9	1,418.9	11.7
Interest payable	1,264.8	1,152.3	112.5	9.8
Total	304,254.9	298,748.1	5,506.8	1.8

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 from lawyers. The Group does not make provision for pending litigation when the outcome of the litigation cannot be reasonably estimated or when its management considers that legal liability is unlikely to be incurred or that any resulting liabilities will not have material adverse impacts on the financial position or operating results.

As at December 31, 2021 and June 30, 2022, the claim amounts of pending litigation of which the Group was defendant were RMB3,746.9 million and RMB3,206.1 million, respectively, and provisions of RMB3.1 million and RMB3.5 million for the Group were made based on court judgments or the advice of legal counsel, respectively. The Company believes that the final result of these lawsuits will not have material impacts on the financial position or operating results of the Group.

3 Management Discussion and Analysis

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

There is no difference in the net profit and shareholders' equity for the Reporting Period between the 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, 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,			
	2022		2021	
	Total income	% of total	Total income	% of total
	(in millions of RMB)			
Distressed asset management	30,299.4	73.4	31,625.0	76.4
Financial services	11,083.6	26.9	10,013.4	24.2
Elimination	(124.7)	(0.3)	(236.8)	(0.6)
Total	41,258.2	100.0	41,401.6	100.0

3 Management Discussion and Analysis

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

	For the six months ended June 30,			
	2022		2021	
	Profit before tax	% of total (in millions of RMB)	Profit before tax	% of total
Distressed asset management	3,982.1	56.6	6,987.0	71.7
Financial services	2,984.5	42.4	2,751.9	28.2
Elimination	65.9	0.9	8.7	0.1
Total	7,032.4	100.0	9,747.7	100.0

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 core business and the primary source of income and profit of the Group. In the first half of 2021 and the first half of 2022, the income from the distressed asset management business accounted for 76.4% and 73.4% of the total income of the Group, respectively, and the profit before tax from the distressed asset management business accounted for 71.7% and 56.6% of the profit before tax of the Group, respectively.

3 Management Discussion and Analysis

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, 2022	As at December 31, 2021
	(in millions of RMB)	
Net balance of distressed debt assets ⁽¹⁾	333,207.4	336,796.7
Book value of DES Assets	96,612.9	93,275.1
Book value of other distressed assets ⁽²⁾	160,997.6	162,284.3

	For the six months ended June 30,	
	2022	2021
	(in millions of RMB)	
Distressed debt assets		
Acquisition cost of distressed debt assets	35,141.9	45,589.5
Income from distressed debt assets ⁽³⁾	10,228.2	14,448.1
DES Assets		
Gains on fair value changes ⁽⁴⁾	1,020.5	722.4
Gains realized with other approaches ⁽⁵⁾	3,835.7	981.3
Other distressed assets		
Income from other distressed assets ⁽⁶⁾	3,706.1	4,492.1

Notes:

- (1) Equivalent to the sum of the Company's "distressed debt assets at fair value through profit or loss" and "distressed debt assets at amortized cost", as presented in the Interim Condensed Consolidated Financial Statements.
- (2) Primarily includes book value of assets such as non-standard debt investments and equity investments, investments in fixed income asset management products, investments in securitized asset products and debt investments related to the distressed asset business.
- (3) Equivalent to the sum of the Company's "fair value changes on acquisition-operation distressed debt assets" and "income from distressed debt assets at amortized cost", as presented in the Interim Condensed Consolidated Financial Statements.
- (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 Management Discussion and Analysis

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, 2022		As at December 31, 2021	
	Amount	% of total	Amount	% of total
	(in millions of RMB)			
Net balance of distressed debt assets⁽¹⁾				
FI Distressed Assets	185,110.8	55.6	185,880.4	55.2
NFI Distressed Assets	148,096.6	44.4	150,916.3	44.8
Total	333,207.4	100.0	336,796.7	100.0

	For the six months ended June 30,			
	2022		2021	
	Amount	% of total	Amount	% of total
	(in millions of RMB)			
Acquisition cost of distressed debt assets⁽²⁾				
FI Distressed Assets	17,735.7	50.5	22,294.0	48.9
NFI Distressed Assets	17,406.2	49.5	23,295.5	51.1
Total	35,141.9	100.0	45,589.5	100.0
Income from distressed debt assets⁽³⁾				
FI Distressed Assets	4,459.8	43.6	6,952.4	48.1
NFI Distressed Assets	5,768.4	56.4	7,495.7	51.9
Total	10,228.2	100.0	14,448.1	100.0

3 Management Discussion and Analysis

Notes :

- (1) Equivalent to the sum of the Company's "distressed debt assets at fair value through profit or loss" and "distressed debt assets at amortized cost", as presented in the Interim Condensed Consolidated Financial Statements.
- (2) Represents the carrying amount of distressed debt assets acquired during each period indicated.
- (3) Equivalent to the sum of the Company's "fair value changes on acquisition-operation distressed debt assets" and "income from distressed debt assets at amortized cost", as presented in the Interim Condensed Consolidated Financial Statements.

FI Distressed Assets

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

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

	For the six months ended June 30,			
	2022		2021	
	Acquisition Amount	% of total	Acquisition Amount	% of total
	(in millions of RMB)			
Large commercial banks	2,918.7	16.5	7,100.1	31.8
Joint-stock commercial banks	5,326.5	30.0	6,077.8	27.3
City and rural commercial banks	1,727.3	9.7	3,911.4	17.5
Other banks ⁽¹⁾	3,330.3	18.8	130.3	0.6
Non-banking financial institutions ⁽²⁾	4,432.9	25.0	5,074.4	22.8
Total	17,735.7	100.0	22,294.0	100.0

Notes :

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

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 Management Discussion and Analysis

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, 2022		As at December 31, 2021	
	Amount	% of total	Amount	% of total
	(in millions of RMB)			
Net balance of distressed debt assets				
Acquisition-operation Distressed Assets ⁽¹⁾	209,508.8	62.9	202,262.9	60.1
Restructured Distressed Assets ⁽²⁾	123,698.6	37.1	134,533.8	39.9
Total	333,207.4	100.0	336,796.7	100.0
	For the six months ended June 30,			
	2022		2021	
	Amount	% of total	Amount	% of total
	(in millions of RMB)			
Acquisition cost of distressed debt assets				
Acquisition-operation Distressed Assets	26,157.2	74.4	21,751.1	47.7
Restructured Distressed Assets	8,984.7	25.6	23,838.4	52.3
Total	35,141.9	100.0	45,589.5	100.0
Income from distressed debt assets				
Acquisition-operation Distressed Assets ⁽³⁾	4,678.5	45.7	6,833.2	47.3
Restructured Distressed Assets ⁽⁴⁾	5,549.7	54.3	7,614.9	52.7
Total	10,228.2	100.0	14,448.1	100.0

3 Management Discussion and Analysis

Notes :

- (1) Equivalent to the Company's "distressed debt assets at fair value through profit or loss", as presented in the Interim Condensed Consolidated Financial Statements.
- (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) Equivalent to the Company's realized and unrealized "fair value changes on acquisition-operation distressed debt assets", as presented in the Interim Condensed Consolidated Financial Statements.
- (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 use multiple means of disposal 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 2022, the Company actively took effective measures to cope with the new situation in the distressed asset market and further promote high quality development of Acquisition-operation Distressed Assets business. In terms of asset acquisition, the Company, initiatively expanded the source of acquisition, intensified the efforts on market development of non-banking financial institutions and strengthened effectiveness of acquisitions, so as to continue to maintain the dominant position of core business. In terms of asset disposal, the Company kept a balance between asset turnover and value preservation, grasped disposal opportunities to accelerate cash recovery and improve disposal efficiency.

3 Management Discussion and Analysis

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, 2022	As at December 31, 2021
(in millions of RMB)		
Net balance of Acquisition-operation Distressed Assets	209,508.8	202,262.9

	For the six months ended June 30, 2022	2021
(in millions of RMB)		
Acquisition cost of Acquisition-operation Distressed Assets	26,157.2	21,751.1
Carrying amount of Acquisition-operation Distressed Assets disposed ⁽¹⁾	19,513.3	20,481.6
Unrealized fair value changes	850.4	755.2
Net income from Acquisition-operation Distressed Assets	4,678.5	6,833.2
Internal rate of return ⁽²⁾ (%)	8.4	11.8

Notes :

- (1) Represents the amounts of Acquisition-operation Distressed Assets disposed in a given period.
- (2) The internal rate of return ("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 our Restructured Distressed Assets are non-financial enterprises. When acquiring debts, the Company would enter into a tripartite agreement with the creditor and debtor. The Company acquires the debts from the creditor, and the Company, the debtor and its related parties also enter into a restructuring agreement that details a series of arrangements of reorganization including the repayment amount, repayment method, repayment schedule, and collateral and guarantee agreements, with the goal of activating the existing assets of the debtor, recovering the debt in full and achieving target gains.

3 Management Discussion and Analysis

In the first half of 2022, in order to deal with 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 professional duties in forestalling and defusing financial risks, serving the real economy and supporting the supply-side structural reform, and continued to make prudent and effective investments, sped up the activation and disposal of assets, and continuously promoted structure optimization, transformation and upgrading of Restructured Distressed Assets business. The Company, taking the opportunities in the supply-side structural reform and capital market reform, accelerated the cultivation and development of innovative businesses, and actively explored business opportunities in the strip of non-main business and non-advantageous business, and disposal of inefficient and ineffective assets of central enterprises and state-owned enterprises, corporate crisis relief and bankruptcy reorganization, and listing companies bailout and actively explored areas of new economy and new growth drivers; strengthened the client-centric strategy and “headquarter-to-headquarter” marketing, cooperated with the headquarters of the central enterprises, state-owned enterprises and leading enterprises, and 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; and promoted the high-quality development of Restructured Distressed Assets business.

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, 2022	As at December 31, 2021
(in millions of RMB)		
Net balance of Restructured Distressed Assets	123,698.6	134,533.8
Balance of Restructured Distressed Assets classified as substandard, doubtful and loss ⁽¹⁾	10,694.8	7,069.3
Impaired Restructured Distressed Assets ratio ⁽²⁾ (%)	7.64	4.75
Allowance for impairment losses	16,313.7	14,289.0
Impaired Restructured Distressed Assets coverage ratio ⁽³⁾ (%)	152.5	202.1

3 Management Discussion and Analysis

	For the six months ended June 30,	
	2022	2021
(in millions of RMB)		
Acquisition cost of Restructured Distressed Assets	8,984.7	23,838.4
Income from Restructured Distressed Assets	5,549.7	7,614.9
Annualized return on monthly average balance ⁽⁴⁾ (%)	7.4	7.6

Notes:

- (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 the balance of 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, 2022		As at December 31, 2021	
	Acquisition Amount	% of total	Acquisition Amount	% of total
	(in millions of RMB)			
Real estate	61,570.8	44.0	62,511.9	42.0
Manufacturing	17,213.5	12.3	20,647.5	13.9
Mining	10,285.8	7.3	11,237.0	7.6
Construction	9,024.3	6.4	8,502.3	5.7
Water conservancy, environment and public facility management	8,452.8	6.0	8,355.4	5.6
Wholesale and retail trade	7,685.2	5.5	8,713.1	5.9
Leasing and commercial services	7,261.8	5.2	7,681.3	5.2
Others	18,518.1	13.3	21,174.3	14.1
Total	140,012.3	100.0	148,822.8	100.0

3 Management Discussion and Analysis

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

	As at June 30, 2022		As at December 31, 2021	
	Acquisition Amount	% of total	Acquisition Amount	% of total
	(in millions of RMB)			
Bohai Rim	32,985.9	23.6	33,420.9	22.5
Yangtze River Delta	19,929.3	14.2	22,364.5	15.0
Pearl River Delta	17,260.0	12.3	14,598.2	9.8
Central Region	33,783.1	24.1	42,872.5	28.8
Western Region	31,890.1	22.8	31,310.2	21.0
Northeast Region	4,163.9	3.0	4,256.5	2.9
Total	140,012.3	100.0	148,822.8	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 2022, the Company continued to cultivate DES business to support the supply-side structural reform, and actively grasped the policy opportunities, such as the mixed ownership reform of state-owned enterprises and market-oriented DES. The Company further enhanced the disposal of existing DES projects and accelerated the timely disposal of listed equity assets. The Company continued to promote the market-oriented DES business, and increased investments in areas such as the deleveraging of state-owned enterprises and cost decreasing and efficiency increasing of the new-economy companies, so as to further consolidate the Company's professional brand image.

3 Management Discussion and Analysis

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

	As at June 30, 2022	As at December 31, 2021
(in millions of RMB)		
Total book value		
DES Assets at fair value through profit or loss	35,208.2	35,940.0
DES Assets at interests in consolidated structured entities and associates and joint ventures	58,164.3	53,649.2
DES Assets at fair value through other comprehensive income	3,240.4	3,685.9
Total	96,612.9	93,275.1

	For the six months ended June 30,	
	2022	2021
(in millions of RMB)		
DES Assets Income		
Fair value changes ⁽¹⁾	1,020.5	722.4
Gains realized with other accounting approaches ⁽²⁾	3,835.7	981.3

Notes:

- (1) Refers to fair value changes of the DES Assets at fair value through profit or loss, including the net gains or losses on disposal of DES Assets, dividend income, interest income and 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, 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 assets business focuses on real economy relief and restructuring of distressed enterprises, with emphasis on providing integrated financial solutions via substantial restructuring and other means; vigorously promoted business innovation and explored new business areas such as judicial auction funds and risk resolution of default private equity fund.

As at December 31, 2021 and June 30, 2022, the balance of other distressed asset business investment of the Company amounted to RMB162.28 billion and RMB161.00 billion, respectively. In the first half of 2021 and the first half of 2022, the income from other distressed asset business of the Company amounted to RMB4.49 billion and RMB3.71 billion, respectively.

Other Distressed Asset Business of Cinda Hong Kong

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

3 Management Discussion and Analysis

As at December 31, 2021 and June 30, 2022, the balance of other distressed asset business investment of Cinda Hong Kong amounted to RMB42.40 billion and RMB43.42 billion, respectively. In the first half of 2021 and the first half of 2022, the income of other distressed asset business of Cinda Hong Kong amounted to RMB0.65 billion and RMB1.12 billion, respectively.

Other Distressed Asset Business of Cinda Investment

Embracing the strategic positioning of “professional investor in alternative assets”, Cinda Investment grasped the national development strategy and policy orientation, gave full play to its professional advantages in the fields of merger and restructuring, value restoration, and reorganization and revitalization, explored, fostered and deeply cultivated substantive restructuring business, built alternative investment banking business model, and continuously improved the quality and efficiency of serving the real economy.

As at December 31, 2021 and June 30, 2022, the balance of other distressed asset business investment of Cinda Investment amounted to RMB60.89 billion and RMB60.91 billion, respectively. In the first half of 2021 and the first half of 2022, the income from other distressed asset business of Cinda Investment amounted to RMB2.79 billion and RMB2.54 billion, respectively.

Other Distressed Asset Business of Zhongrun Development

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

As at December 31, 2021 and June 30, 2022, the balance of the other distressed asset business investment of Zhongrun Development amounted to RMB3.06 billion and RMB2.86 billion, respectively. In the first half of 2021 and the first half of 2022, the income from other distressed asset business of Zhongrun Development amounted to RMB0.14 billion and RMB0.09 billion, respectively.

3.3.1.5 Other Investments

Cinda Real Estate

As a professional real estate service platform within the “extensive distressed asset” business of the Group, Cinda Real Estate provides professional post-investment management services and consultancy services for the real estate business of the Group, revitalizes distressed real estate, unlocks and enhances values of such assets through equity merger and entrusted construction, so as to provide effective methods for asset disposal and realization.

In the first half of 2021 and the first half of 2022, Cinda Real Estate achieved revenue from sales of properties held for sale of RMB4.28 billion and RMB7.02 billion, respectively.

3.3.1.6 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, 2021 and June 30, 2022, the balance of the entrusted operation distressed assets both amounted to RMB7.59 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 2021 and the first half of 2022, the income from the financial services business accounted for 24.2% and 26.9% of the total income of the Group, respectively, and the profit before tax from the financial services business accounted for 28.2% and 42.4% of the profit before tax of the Group, respectively.

3 Management Discussion and Analysis

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,							
	2022		2021		As at June 30, 2022		As at December 31, 2021	
	Profit		Profit		Total assets	Net assets	Total assets	Net assets
	Income	before tax	Income	before tax				
(in millions of RMB)								
NCB	6,183.7	1,884.4	5,937.5	1,786.0	459,077.8	51,542.3	437,053.1	53,160.9
Cinda Securities	2,443.2	553.5	2,044.9	526.1	65,001.6	13,371.5	64,680.1	12,842.6
Jingu Trust	491.7	144.9	289.7	178.3	5,461.5	4,337.4	6,623.3	4,259.1
Cinda Leasing	1,908.4	416.1	1,672.7	258.9	79,014.6	8,026.5	70,815.1	7,704.6

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 group account management, cross-selling and integrated financial services, as well as a growth point of group collaboration and transformation, which will promote the development of the entire financial services sector.

3 Management Discussion and Analysis

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, 2022	As at December 31, 2021
(in billions of RMB)		
Total assets	459.1	437.1
Total loans	252.7	241.7
Total deposits	316.0	313.8
Asset quality indicators (%)		
Non-performing loan ratio ⁽¹⁾	1.41	1.50
Capital adequacy ratio indicators (%)		
Total capital ratio ⁽²⁾	17.13	18.46
Tier-1 capital ratio ⁽³⁾	13.69	15.02
Tier-1 common capital ratio ⁽⁴⁾	12.34	12.54
Other indicators (%)		
Liquidity coverage ratio ⁽⁵⁾	143.98	153.44

	For the six months ended June 30,	
	2022	2021
(in billions of RMB)		
Net interest income	2.5	2.7
Net commission and fee income	0.6	0.8
Profitability indicators (%)		
Annualized return on average assets ⁽⁶⁾	0.74	0.74
Annualized return on average shareholder's equity ⁽⁷⁾	6.55	6.50
Net interest margin ⁽⁸⁾	1.25	1.38
Cost-to-income ratio ⁽⁹⁾	37.35	35.57

3 Management Discussion and Analysis

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 deep cultivation, and it is well-known for its expertise for personal wealth management and corporate banking services.

The personal wealth management services of NCB Hong Kong mainly include various currency deposits, foreign exchange, stocks, funds and bond trading, foreign exchange and stock margin, mortgages, taxation, personal loans and insurance, etc. Based on the business philosophy of “serving two places with one line of continuity”, NCB Hong Kong optimized the product and service process, and enhanced the professional standards of cross-border service to serve Hong Kong citizens and customers in the Greater Bay Area. NCB Hong Kong vigorously promoted RMB deposit and exchange business to meet customers’ demand for RMB wealth management.

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

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

3 Management Discussion and Analysis

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

	As at June 30, 2022	As at December 31, 2021
(in billions of RMB)		
From personal customers		
Balance of loans	29.1	29.6
Balance of deposits	116.0	113.9
From corporate customers		
Balance of loans	153.9	142.1
Balance of deposits	129.0	114.5

	For the six months ended June 30, 2022	2021
(in billions of RMB)		
From personal customers		
Net interest income	0.4	0.3
Net commission and fee income	0.2	0.3
From corporate customers		
Net interest income	1.0	0.9
Net commission and fee income	0.2	0.3

3 Management Discussion and Analysis

NCB China

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

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

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

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

By leveraging the resources of the Group and upholding the principle of “dedicated to serving customers”, NCB China actively began to transform into a fin-tech institution. By giving full play to the advantages of its cross-border business as well as focusing on the characteristics of cross-border integrated financial and asset management services, NCB China constantly improves the standard of serving domestic and overseas customers.

3 Management Discussion and Analysis

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, 2022	As at December 31, 2021
	(in billions of RMB)	
Total assets	142.9	147.3
Total loans	83.0	83.6
Total deposits	84.9	97.0
Asset quality indicators (%)		
Non-performing loan ratio	1.42	0.83
Provision coverage ratio	125.15	257.44
Capital adequacy ratio indicators (%)		
Core tier-one capital adequacy ratio	16.12	15.07
Tier-one capital adequacy ratio	16.12	15.07
Capital adequacy ratio	16.43	16.15

	For the six months ended June 30, 2022	2021
	(in billions of RMB)	
Net interest income	0.9	1.1
Net commission and fee income	0.1	0.2
Profitability indicators (%)		
Annualized return on average assets	0.89	0.46
Annualized return on average shareholders equity	8.20	4.51

3 Management Discussion and Analysis

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

	As at June 30, 2022		As at December 31, 2021	
	Balance	% of total	Balance	% of total
	(in billions of RMB)			
Loans				
Corporate Banking Business	61.2	73.7	61.5	73.6
Personal Banking Business	21.8	26.3	22.1	26.4
Total	83.0	100.0	83.6	100.0
Deposits				
Corporate Banking Business	75.0	88.3	87.0	89.7
Personal Banking Business	9.9	11.7	10.0	10.3
Total	84.9	100.0	97.0	100.0

3 Management Discussion and Analysis

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 2021 and the first half of 2022, the revenue of Cinda Securities amounted to RMB1,486.1 million and RMB1,785.2 million, respectively.

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,			
	2022		2021	
	Amount	% of total	Amount	% of total
	(in millions of RMB)			
Securities brokerage	437.2	24.5	409.0	27.5
Investment banking	58.2	3.3	259.0	17.4
Asset management	90.3	5.1	51.3	3.5
Futures	106.1	5.9	90.3	6.1
Other Businesses	1,093.4	61.2	676.5	45.5
Total	1,785.2	100.0	1,486.1	100.0

Securities brokerage: As at December 31, 2021 and June 30, 2022, the number of clients of Cinda Securities' securities brokerage business amounted to 2.274 million and 2.473 million. The total value of its AUM amounted to RMB264.71 billion and RMB234.51 billion, respectively. In the first half of 2021 and the first half of 2022, the turnover of Cinda Securities' securities brokerage business amounted to RMB1,190.28 billion and RMB1,178.51 billion, respectively.

Investment banking: In the first half of 2021 and the first half of 2022, Cinda Securities' underwriting fee and commission income amounted to RMB194.9 million and RMB45.4 million, respectively.

Asset management: As at December 31, 2021 and June 30, 2022, the AUM balance of Cinda Securities amounted to RMB160.48 billion and RMB118.04 billion, respectively. In the first half of 2021 and the first half of 2022, the commission and fee income from Cinda Securities' asset management business as trustee amounted to RMB51.3 million and RMB90.3 million, respectively.

3 Management Discussion and Analysis

Other businesses: Mainly includes investment business and credit business. In the first half of 2021 and the first half of 2022, the gains and losses realized from the investment business of Cinda Securities were a loss of RMB51.0 million and a gain of RMB440.9 million, respectively. As at December 31, 2021 and June 30, 2022, the turnover of margin financing business of the Cinda Securities amounted to RMB10.77 billion and RMB8.63 billion, respectively; the turnover of stock pledge all amounted to RMB0.28 billion.

Cinda Futures

The Group conducts futures business through Cinda Futures. In the first half of 2021 and the first half of 2022, income from the futures business of Cinda Futures amounted to RMB90.3 million and RMB106.1 million, respectively, and the operating profit realized amounted to RMB35.4 million and RMB45.7 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, 2021 and June 30, 2022, the Group had 41 and 44 mutual securities investment funds with the total AUM of mutual funds and asset management plans amounted to RMB89.49 billion and RMB101.38 billion, respectively. In the first half of 2021 and the first half of 2022, management fee income from mutual funds and asset management plans amounted to RMB229.9 million and RMB469.1 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 2021 and the first half of 2022, the revenue of Cinda International amounted to RMB121.2 million and RMB27.0 million, respectively.

3.3.2.3 Trusts

The Group conducts trust business through Jingu Trust. As at December 31, 2021 and June 30, 2022, the existing trust AUM amounted to RMB174.22 billion and RMB163.03 billion, respectively, and the Group managed 258 and 260 existing trust projects, respectively. In the first half of 2021 and the first half of 2022, the fees and commission income generated from trust business were RMB0.22 billion and RMB0.34 billion, respectively, accounting for 76.5% and 79.5% of Jingu Trust's total revenue in respective periods.

3 Management Discussion and Analysis

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, 2022		As at December 31, 2021	
	Amount	% of total	Amount	% of total
	(in millions of RMB)			
Asset-backed securitization	63,693.0	39.1	79,654.0	45.7
Industry and commerce	59,381.0	36.5	55,481.0	31.9
Infrastructure	18,063.0	11.1	18,878.0	10.8
Securities markets	9,687.0	5.9	5,823.0	3.3
Real estate	9,468.0	5.8	11,300.0	6.5
Financial institutions	2,509.0	1.5	2,943.0	1.7
Others	226.0	0.1	142.0	0.1
Total	163,027.0	100.0	174,221.0	100.0

3.3.2.4 Financial Leasing

The Group conducts financial leasing business through Cinda Leasing. As at December 31, 2021 and June 30, 2022, the net finance lease receivables of the Group amounted to RMB58.89 billion and RMB66.12 billion, respectively. In the first half of 2021 and the first half of 2022, the net revenue generated by the financial leasing business of the Group amounted to RMB859.2 million and RMB812.4 million, respectively, and the net profit generated from the financial leasing business of the Group amounted to RMB188.6 million and RMB332.3 million, respectively.

3 Management Discussion and Analysis

Product Types

In the first half of 2022, the net income from specialized products and non-specialized products was RMB638.5 million and RMB173.9 million, respectively, representing 78.6% and 21.4% of Cinda Leasings 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, 2022		As at December 31, 2021	
	Amount	% of total	Amount	% of total
	(in millions of RMB)			
Manufacturing	18,213.3	26.7	17,920.5	29.4
Construction	15,416.5	22.6	12,190.8	20.0
Leasing and commercial services	11,664.7	17.1	8,716.4	14.3
Mining	6,821.5	10.0	5,303.0	8.7
Transportation, logistics and postal services	5,320.7	7.8	5,972.5	9.8
Water conservancy, environment and public facilities management	4,161.1	6.1	3,779.2	6.2
Production and supply of power, heat, gas and water	3,751.8	5.5	4,327.7	7.1
Others	2,864.9	4.2	2,744.0	4.5
Total	68,214.5	100.0	60,954.1	100.0

3.3.2.5 Business Synergy

The Group fully explored the special functions of its subsidiaries and enhanced the specialised operation and synergy capabilities of its subsidiaries. The non-financial subsidiaries identified various scenarios and entry points for synergy with the Company's main business to enrich and improve the business model of the main business of distressed asset management, and the financial subsidiaries as functional platforms took advantage of supporting financial instruments to distressed assets business. By promoting the in-depth synergy between distressed asset management and financial service business, the Group focused on quality strategic customers, laid emphasis on transformation of alternative investment banking, and deepened the business layout of key regions to improve the overall synergy quality and efficiency of the Group.

In the first half of 2022, the subsidiaries recorded business synergy management scale totaling RMB331.48 billion from approximately 2,000 customers, which realized business synergy income of RMB1.14 billion, among which, Cinda Real Estate recorded synergy investment scale totaling RMB117.83 billion and synergy supervision scale totaling RMB76.85 billion with a business synergy income of RMB0.07 billion; Cinda Investment recorded synergy investment scale totaling RMB12.80 billion with a business synergy income of RMB0.11 billion; Zhongrun Development recorded synergy investment scale totaling RMB5.62 billion with a business synergy income of RMB0.11 billion; NCB recorded synergy deposit and loan scale totaling RMB37.21 billion with a business synergy income of RMB0.25 billion; Cinda Leasing recorded synergy leasing scale totaling RMB19.49 billion with a business synergy income of RMB0.47 billion; Cinda Securities recorded synergy management scale totaling RMB11.46 billion with a business synergy income of RMB0.04 billion; Cinda Capital recorded synergy management scale totaling RMB36.20 billion with a business synergy income of RMB0.07 billion; Jingu Trust recorded synergy trust plans management scale totaling RMB14.02 billion with a business synergy income of RMB0.02 billion.

3.3.3 Human Resources Management

In the first half of 2022, the Company thoroughly implemented the Party's organizational line in the new era, coordinated the construction of cadres and talents, continued to deepen the reform of the selection and employment mechanism, paid close attention to the implementation and effectiveness of organization and HR work, so as to provide strong organizational guarantee and talent support for the realization of high-quality development of the Company.

3 Management Discussion and Analysis

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, 2022	
	Number of employees	% of total
By location of premise		
Employees in Mainland China	11,905	87.2
Employees in Hong Kong and Macao	1,743	12.8
By gender		
Male	7,767	56.9
Female	5,881	43.1
Total	13,648	100.0

In the Company and its tier-one subsidiaries (head offices), employees with bachelor's degree or above and employees with master's degree or above accounted for 92% and 60% respectively. 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 upholds integrity and innovation 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 2021 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 of the Company 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 2022, the Company continued to attach importance to consolidating risk management and control in the Group's work, overcame the difficulties and challenges from the pandemic prevention and control and external environment, adhered to the risk management concept of "protecting the bottom-line by managing risks proactively", and further advanced the risk control measures. The Company developed the risk appetites for the Group, provided guidance and discipline on the risk management policies, carried out risk investigation to find out the risk details, strictly controlled new risks and eliminated existing risks, enhanced risk evaluation, and maintained the overall stability of asset quality. The Company promoted the application of "digital risk control" to effectively improve the perspectiveness and effectiveness of risk monitoring. The Group's risk management system has been further improved.

3.4.2 Risk Appetite

At the beginning of 2022, the Risk Appetite Statement of the Group (2022) was formally issued and implemented upon the approval of the Board and subject to its supervision in implementation. The Risk Appetite Statement has clarified the business orientation of focusing on main responsibilities and main businesses, preventing and defusing financial risks, and serving the real economy, and proposed that Company should, based on the principle of "seeking progress while maintaining stability and giving priority to stability", make full use of various management tools to comprehensively improve the ability of credit risk management, continuously reduce the scale of non-performing assets, ensure the balance between scale and benefit, speed and quality, income and risk, incorporate the transmission and execution of risk appetite indicators into the comprehensive evaluation of each business unit, strengthen the implementation of risk appetites by means of incentives and constraints, quantify the transmission responsibility, and proactively manage and control risks in the operation by preposing the risk threshold. The Company regularly monitors the implementation of the quantitative risk appetite indicators, and optimizes and adjusts the quantitative risk appetite indicators and qualitative statements in a timely manner.

3 Management Discussion and Analysis

The overall risk appetite statement of the Company: in the course of business, the Company is devoted to strategically control risk profile, streamline risk sequence, prevent and control risk exposure, maintain a stable risk appetite, and constantly pursue a balanced development of efficiency, quality and scale. The Company attaches importance to the alignment of business scale, operating income and risk exposure, and will not pursue higher profits at the expense of 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 and to comply with the regulated capital adequacy and maintain a stable external rating. The Company will also ensure that all business activities are implemented effectively within the risk appetite framework. All substantive risks are to be accurately defined, clearly measured, carefully assessed and proactively managed in the ordinary course of business, so as to align with the risk tolerance and capital adequacy of the Company. The Company will also strive to optimize the risk-adjusted returns within the planned risk tolerance.

3.4.3 Risk Management Organizational Structure

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

In the first half of 2022, the Risk Management Committee of the Board convened three meetings to consider various resolutions and reports, such as the Risk Appetite Statement of the Group, the risk management policies of the Group, and the risk management report of the Group. The risk management committee under the Senior Management convened five meetings to consider various resolutions and reports, such as the risk limit management plan of the Group, the risk monitoring and evaluation plan of the Group, and the concentration management report 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 head office, branches and subsidiaries as the first line of defense; the functional departments of risk management as the second line of defense; the internal audit department as the third line of defense.

3 Management Discussion and Analysis

In the first half of 2022, the Company continued to improve its risk governance structure and effectively strengthened the independence and professionalism of risk management, further strengthening its risk management capabilities. By regularly carrying out performance assessment of risk management on the relevant responsible personnel of its branches and subsidiaries, and strengthening the management function of the risk (compliance) director in overseas subsidiaries, the Company continuously improved the efficiency of its risk management. As a step forward, the Company also carried on its progress in developing a dedicated risk management team, and strived to continuously improve the performance and competence of all Group personnel involving in risk management through business training and qualification verification.

3.4.4 Risk Management Policy System

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

At the beginning of 2022, the Company formulated and issued the risk management policy of the Group for 2022, requiring to maintain a prudent and robust risk appetite, respond to risks and challenges in a coordinated manner, seize market opportunities, focus on building the ecosystem and customer base for extensive distressed assets business, and improve the quality and efficiency of defusing the financial risks and serving the real economy. The Company should balance the compatibility between business scale, income and risk, continuously improve the forward-looking and effectiveness of risk management, improve the risk management mechanisms, strictly control the risk exposure, ensure that risk indicators are kept within an appropriate range, and firmly keep the bottom line of eliminating systemic risks.

In addition, based on the regulatory requirements and internal management needs, the Company has revised the “Measures for Management of Credit Risk”, “Measures for Management of Concentration Risk”, “Measures for Management of Liquidity Risk”, “Measures for Punishment Related to Business Risk Liabilities” and other risk management systems to provide effective guidance for routine risk management.

3.4.5 Risk Management Tools and System

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

3 Management Discussion and Analysis

In the first half of 2022, the Company promptly adjusted its risk management and control targets and methods to ensure the effectiveness and timeliness of risk management in accordance with regulatory requirements and market changes as well as the actual situation of the Company. By carrying out comprehensive risk investigation, detecting the risk details and completing the re-inspection of risk management system and process, the Company formulated the risk response plans, strengthened risk source control, strictly controlled new risks, and defused the existing risks. The Company also enhanced the risk incentive and restraint mechanisms, continued to conduct stress test, promoted the full coverage of risk monitoring systems and improved the informatization level of risk management. With economic capital management on top of the agenda, the Company optimized the risk limit control standard and appropriately assigned the economic capital quota for each business line, with an aim to optimize allocation of business and management resources and boost the overall risk-adjusted profitability.

The Company actively promoted the development and construction of risk monitoring platform to realize comprehensive risk monitoring within the Group both domestic and overseas, on and off the balance sheets, and for local and foreign currencies through IT means, and realize full-coverage monitoring, whole-chain identification and modular control of risk information. Through the application of “digital risk control”, the perspectiveness and effectiveness of risk monitoring have been effectively improved.

3.4.6 Management of Credit Risk

Credit risk refers to the risk that business will suffer loss due to the failure or unwillingness of the debtor or counterparty to fulfill its debt repayment obligations on time or the adverse change of its credit status. Credit risk of the Company is primarily related to its distressed debt asset portfolio, the corporate and individual loans and fixed-income investment portfolio, the finance lease receivables of its financial leasing business of its financial subsidiaries 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, strictly controlling access standards, increasing effective investment, consolidating asset quality and revitalizing existing assets”, 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 local economy as well as its own status.

3 Management Discussion and Analysis

In the first half of 2022, the Company implemented the risk policies in connection with the customers, industries, regions and products, enhanced its deployment in “extensive distressed assets business” field focusing on distressed entities and distressed assets, accelerated the business reform and optimized the business structure to promote the high-quality development of business; re-checked and optimized the internal rating system to improve the fine measurement level of the Group’s credit risk, strengthened the access standards for customers and projects to control the Company’s asset quality from the entry end; further improved the management mechanism for major projects, strictly implemented the due diligence and approval requirements, and strengthened follow-up management, organization and leadership, to strictly prevent substantive risks and speed up the risk resolution of major projects; enhanced the classification management, and guided all the business units to carry out asset classification work in strict accordance with regulatory requirements and internal regulations, accurately measure risks, make sufficient impairment provisions, consolidate assets quality and reduce the scale of non-performing assets; improved the unified credit management and control system for the group customer, strengthened the risk identification and credit line management, so as to avoid “concurrent credit extension” or “excessive credit extension” 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 business losses due to major crises. The market risk management of the Company refers to the process of identifying, measuring, monitoring, controlling and reporting of market risk in accordance with the risk tolerance of the Group to establish and refine the market risk management system, thereby controlling the market risk within 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 maturities matching assets and liabilities, has maintained the interest rate risk at an acceptable level by reasonably controlling asset maturities, flexibly adjusting debt duration and financing rhythm, and effectively controlling the debt cost.

With respect to foreign exchange risk, the Company has effectively controlled its exposure of foreign exchange risk mainly by matching currencies used in assets and liabilities based on the general principle of risk neutrality. As for the USD bonds and preference shares issued by the Company, invested assets were mainly denominated in USD or HKD linked to USD.

In the first half of 2022, the Company continued to closely monitor the effects placed by factors such as trends of macroeconomy, situations of domestic and overseas markets, the trends of relevant industries, tightness of market liquidity and the changes of regulations and requirements on the value of equity assets, and raise its efforts in research and prejudgment so as to reasonably formulate and adjust the management strategies of its investment in listed equity assets and endeavor to enhance management effectiveness.

3 Management Discussion and Analysis

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, constantly strengthen the construction of financing capacity and effectively ensure the liquidity security of the Group.

In the first half of 2022, the Company actively optimized the debt duration and customer structure and expanded the diversified sources of medium – and long-term funds, thus effectively enhancing the stability of the debt financing system, and improving the matching degree of the term and structure of assets and liabilities. The Company effectively controlled the financing cost and achieved the overall target of “reducing cost, extending duration and ensuring security”. The Company enhanced the market analysis and research, regularly monitored the liquidity of the entities within the Group by means of on the information system, strengthened the communication and coordination mechanism among the Group, prospectively carried out subsidiary supervision, and improved the regular liquidity consultation mechanism, in order to ensure the medium – and long-term liquidity security of the Group.

3.4.9 Concentration Risk Management

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

The Company managed the concentration risk in accordance with the principle of “sticking to bottom line, promoting management and control beforehand, differentially and precisely” 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 2022, the Company revised the “Measures for Management of Concentration Risk” and developed differentiated management measures according to the concentration risk profile and management needs to realize targeted implementation of policies and precise control; scientifically set the risk limit for the Group's customers to effectively control the risk exposure of the major customers; 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 effectively control the customer concentration risk.

3 Management Discussion and Analysis

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 2022, the Company further promoted the implementation of the operational risk management tools. The Company organized the self-assessment of operational risk and the control thereof, evaluated the key management areas and links with prominent problems detected from the internal and external inspection in recent years, verified the effectiveness of the Company's control, and promoted the continuous management improvement; further promoted the effective use of monitoring and management tools for key risk indicators, optimized and adjusted the indicators according to business practices, continuously carried out indicators monitoring and analysis within the Group, improved the operational risk early warning ability; and continuously collected operational risk loss data to improve the perceptiveness of daily operational risk management. To further enhance the operational risk prevention and control, the Company carried out comprehensive operational risk investigation within the Group to further ensure the healthy development of each business.

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 which 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 2022, the Company continued to promote the construction of reputation risk management system and optimize the working mechanism to improve the reputation risk management level. Based on the management principle of "forward-looking, targeted, proactive, comprehensive and effective", the Company organized the reputation risk investigation, strengthened the study and judgment of potential reputation risk factors of branches and subsidiaries, enhanced management from the source end, and resolved reputation risk factors; strengthened the development and upgrade of the public opinion monitoring system, optimized the monitoring scope, and improved the effectiveness and pertinence of the monitoring mechanism; accepted the supervision of public opinion, and actively carried out a series of influential communication activities to effectively maintain the good brand and image of the Company. During the Reporting Period, the Company had stable reputation risk profile.

3 Management Discussion and Analysis

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 2022, the Company continued to identify and effectively prevent money laundering risks, and earnestly fulfilled the legal obligations and social responsibilities of anti-money laundering. The Company 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, actively participated in the development and design of the new core system, and promoted the incorporation of anti-money laundering related control measures into the new core system process; completed the transformation of the anti-money laundering system blacklist screening function, realized the integration of suspicious transaction information at the group level, and further improved the support ability of the information system; organized the targeted anti-money laundering training covering Directors, Senior Management, new employees, anti-money laundering personnel and internal audit personnel to improve the awareness of money laundering risk prevention of all staff, and strengthen the performance ability of employees; enhanced the anti-money laundering publicity efforts and enriched the forms of publicity to achieve good publicity effect.

3.5 Capital Management

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

In accordance with the Measures for the Capital Management of Financial Asset Management Companies (for Trial Implementation) (Yin Jian Fa [2017] No. 56) 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 businesses.

3 Management Discussion and Analysis

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, 2022	As at December 31, 2021
(in millions of RMB)		
Core tier-1 capital adequacy ratio (%)	11.24	11.22
Tier-1 capital adequacy ratio (%)	15.94	14.08
Capital adequacy ratio (%)	18.00	16.18
Net core tier-1 capital	78,447.6	81,449.2
Net tier-1 capital	111,195.5	102,244.8
Net capital	125,598.2	117,480.9
Risk-weighted assets	697,800.2	726,249.7

As at December 31, 2021 and June 30, 2022, the leverage ratio (the ratio of interest-bearing liabilities to equity) of the Company was 6.4:1 and 6.1:1, respectively.

3 Management Discussion and Analysis

3.6 Prospects

In the second half of 2022, the COVID-19, geopolitical conflicts, inflation and monetary policy adjustments in major economies remain major uncertainties, the global economic growth may further slow down, and Chinese economy will face more complex and grim external environment. Chinese government will, based on the general principle of seeking progress while maintaining stability, implement the new development concept in a complete, accurate and comprehensive manner, effectively coordinate pandemic prevention and control and economic and social development, and accelerate the building of a new development pattern. Persisting in development is the foundation and the key for solving all the problems in our country. Chinese government will firmly stabilize the macroeconomy, make greater efforts to advance reform and opening up, stabilize market entities, stabilize employment, and ensure people's wellbeing, strengthen the foundation for economic recovery, and keep the economy operating within an appropriate range.

Under the triple pressures of shrinking demand, supply shock and weakening expectations, domestic and overseas risks and challenges have increased significantly. It is expected that the non-performing loan size of commercial banks will continue to increase, and the reform and risk diffusion of small and medium-sized financial institutions will be accelerated. Real estate enterprises present significant credit risks, and some local governments are faced with severe debt risks. Small and medium-sized enterprises, especially those severely affected by the pandemic, are experiencing difficulties in operating and increasing liquidity pressure, and will impact the enterprises in the industrial and supply chains. The distressed entities and distressed assets will increase. AMCs shall give full play to their professional advantages, take the initiative to act, and actively participate in the prevention and defusing of major risks under the principle of market-oriented and rule of law.

3 Management Discussion and Analysis

The Company will, based on the guidance of the spirit of the 19th National Congress of the Party, the 19th plenary session 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 CBIRC of “relatively concentrated, highlighting the main business”, accurately grasp the positioning and responsibilities of AMCs in the new era, focus on main responsibilities and main businesses, speed up reform and transformation, and unswervingly pursue high-quality development of AMCs 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 consolidate and highlight the main business status of distressed assets and accelerate the transformation and innovation of main business. The Company will strengthen the acquisition of distressed assets, strengthen the core functions of distressed assets disposal, actively participate in the disposal of distressed assets of banks, risk mitigation of small and medium-sized banks, custody and rescue of high-risk financial institutions and other businesses; promote the upgrade and transformation of distressed assets business into investment banking and asset management business, focusing on distressed entities and distressed assets, and become more proactive and effective in preventing and defusing risks; actively integrate into the new development pattern, expand business opportunities in the delamination of “non-main business, non-dominant business and inefficient assets, ineffective assets” of state-owned enterprises, capital market bailout, development of emerging industries, green economic transformation and coordinated development between regions, in order to improve the quality and efficiency in serving the real economy. Second, the Company will promote the business model optimization and upgrade to create an open and shared distressed asset ecosystem. The Company will vigorously improve business quality, steadily promote asset-light operations, and accelerate the transition to a fund-based and product-oriented asset management model, while focusing on the main business, strengthening synergistic advantages, practicing the concept of customer center, and cultivating the strategic customer base and ecosystem. Third, the Company will stick to the bottom line thinking and conduct business prudently and according to law. The Company will continue to promote in-depth integration of Party building and operation, and constantly improve the modern corporate governance system with Chinese characteristics; give full play to the role of performance appraisal as a “baton”, and allocate more resources to the main business of distressed assets, focusing on serving the national strategic planning; comprehensively deepen the management and control of the subsidiaries and further streamline and optimize the group structure; enhance the construction of a comprehensive risk management system, improve asset quality, and thoroughly adjust the structure of assets and liabilities to ensure the liquidity security; accelerate the construction of “digital Cinda”, improve core competence, and build a team of high-quality personnel for distressed assets and financial services. The Company will continue to do a good job in the “second half of the post” inspection, effectively promote the inspection and rectification to become a new starting point for the Company’s high-quality development and meet the successful convening of the 20th National Congress of the Party.

4 Changes in Share Capital and Information on Substantial Shareholders

4.1 Changes in Ordinary Share Capital

As at June 30, 2022, there was no change in the ordinary share capital of the Company compared to December 31, 2021, details of which were as follows:

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

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, 2022, the following persons had, or were deemed to have, an interest or short position in the shares and underlying shares which have been recorded in the register kept by the Company under the Section 336 of the Hong Kong SFO:

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

4 Changes in Share Capital and Information on Substantial Shareholders

Notes:

- (1) As per the Corporate Substantial Shareholder Notice filed by China COSCO Shipping Corporation Limited with the Hong Kong Stock Exchange on December 30, 2016, Oversea Lucky Investment Limited directly held 1,907,845,112 H Shares in the Company. As Oversea Lucky Investment Limited, COSCO SHIPPING Financial Holdings Co., Limited and China Shipping (Group) Company are all controlled corporations directly or indirectly 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 Changes in Share Capital and Information on Substantial Shareholders

4.3.2 Number of Preference Shareholders and Particulars of Preference Shareholding

As at June 30, 2022, the Company had a total of one preference shareholder (or proxy). Particulars of shareholding of the preference shareholder (or proxy) of the Company are as follows:

Name of shareholder	Nature of shareholder	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 places. CCB Nominees Limited (a subsidiary of China Construction Bank (Asia) Corporation Limited) as the proxy is the only registered holders 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 arrear 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 2022 tenth meeting of the Board, approving the Company to distribute dividends of 2021 Offshore Preference Shares on November 3, 2021, at the rate of 4.40% per annum (after tax). The total amount of dividend 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, 2022.

4 Changes in Share Capital and Information on Substantial Shareholders

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 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 at the date of this report, the Board consisted of Mr. Zhang Weidong (Chairman) and Mr. Zhao Limin as executive Directors, Mr. He Jieping, Mr. Wang Shaoshuang, Mr. Chen Xiaowu, Ms. Zhang Yuxiang, Mr. Tang Jiang and Mr. Liu Chong as non-executive Directors and Mr. Lu Zhengfei, Mr. Lam Chi Kuen, Mr. Wang Changyun and Mr. Sun Maosong as independent non-executive Directors.

Supervisors

As at the date of this report, the Board of Supervisors consisted of Mr. Gong Jiande (Chairman of the Board of Supervisors) as shareholder representative Supervisor, 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 at the date of this report, the Senior Management consisted of 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 the 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

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

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

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

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

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

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

5 Directors, Supervisors and Senior Management

Since September 7, 2022, Mr. Zhang Guoqing ceased to be the non-executive Director due to the expiration of his term of office, and Mr. Zhu Wuxiang and Mr. Sun Baowen ceased to be independent non-executive Directors due to the expiration of their term of office.

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

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

Except for the above changes, the information regarding the appointments of Directors is consistent with the information disclosed in the 2021 annual report and the announcements dated May 27, 2022 and September 16, 2022 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.

Supervisors

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

Since June 28, 2022, Mr. Zhang Zheng had ceased to be the external Supervisor due to expiry of term of office.

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

Except for the above changes, the information regarding the appointments of Supervisors is consistent with the information disclosed in the 2021 annual report and the announcement dated May 27, 2022 and September 2, 2022 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

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

Except for the above changes, the information regarding the appointments of Senior Management is consistent with the information disclosed in the 2021 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 Hong Kong Listing Rules, other laws and regulations, regulatory documents and the Articles, the Company upholds the principle of good corporate governance, strengthens the construction of its corporate governance system and governance capacity, promotes the effective operation of the "Three Boards and One Management" governance structure, deepens the integration of the Party's leadership and corporate governance, continuously improves the comprehensive risk management system, improves risk management and control, effectively plays the role of internal control assessment and internal audit, strengthens compliance management and effectively improve the quality and efficiency of the company's operation and management.

During the reporting period, the Company strictly followed the principles of truthfulness, accuracy, completeness, timeliness and fairness, continued to improve the information disclosure mechanism and process, enhanced the quality and efficiency of information disclosure and protected information rights of investors. The Company received post-investment research and consultation from investors, responded to market concerns in a timely manner, boosted market confidence and maintained a good market image of the Company.

General Meeting

During the Reporting Period, the Company held the 2021 annual general meeting in Beijing on June 28, 2022, at which ten resolutions were considered and approved, including the work report of the Board for 2021, the report of the Board of Supervisors for 2021, the final financial account plan for 2021, the profit distribution plan for 2021, the budget of investment in capital expenditure for 2022, the appointment of accounting firms for 2022, election of Directors, election of Supervisors, capital management plan for 2022-2024, and external donation plan for 2022. The external donation plan for 2022 was a special resolution. The work report of the independent non-executive Directors for 2021 was also reviewed at the annual general meeting.

The Company held the 2022 first extraordinary general meeting, the 2022 first class meeting for Domestic Shareholders, and the 2022 first class meeting for H Shareholders in Beijing on January 28, 2022, at which the special resolution on the extension of the validity period for the authorization to deal with matters relating to the issuance of offshore preference shares was considered and approved.

The Company held the 2022 second extraordinary general meeting in Beijing on April 7, 2022, at which the resolution on the election of Mr. Zhao Limin as an executive Director was considered and approved.

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 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 general meetings disclosed by the Company.

Board

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

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

During the Reporting Period, the Board held a total of eight meetings, at which 35 resolutions were considered and approved, including the final financial account plan for 2021, the profit distribution plan for 2021, the 2021 annual report (2021 annual results announcement), the risk management report for 2021, the internal control evaluation report for 2021, the social responsibility report for 2021, the comprehensive business plan of the Group for 2022, the budget of investment in capital expenditure for 2022, the appointment of accounting firms for 2022, the capital management plan (2022-2024), the risk appetite statement of the Group (2022), the risk management policy of the Group for 2022, and the nomination of candidates for Directors.

During the Reporting Period, the Board focused on the three key tasks of “serving the real economy, preventing and defusing financial risks, and deepening financial reform”, adhered to the general keynote of seeking improvement in stability, promoted and implemented strategic development plan, focused on the main responsibilities and businesses, strengthened the core function of distressed assets disposal, and continued to improve the construction of its corporate governance mechanism, so as to continuously enhance the market competitiveness and sustainable development capacity.

6 Significant Events

Board of Supervisors

As of the date of this report, the Board of Supervisors comprised eight members, including one shareholder representative Supervisor, three external Supervisors and four employee Supervisors.

The Board of Supervisors duly performs its supervision duties and diligently considers relevant proposals. During the Reporting Period, the Board of Supervisors held five meetings, at which 14 resolutions were considered and approved, including the work focus of the Board of Supervisors for 2022, the final financial account plan for 2021, the profit distribution plan for 2021, the internal control evaluation report for 2021, the report on the due diligence of Directors, Supervisors and Senior Management for 2021, the report of the Board of Supervisors for 2021, the 2021 annual report, and the focus of due diligence supervision of the Directors and Senior Management for 2022.

During the Reporting Period, in response to the regulatory requirements and the new situation faced by the Company's development, the Board of Supervisors practically improved the effectiveness and quality of the supervision work of the Board of Supervisors, centering on the Company's central work and supervision focus, conscientiously implemented the inspection and rectification requirements, earnestly performed its duties of supervision, improved its mechanism and system, strengthened the implementation mechanism of its supervisory opinions and suggestions, and concentrated on the implementation of regulatory opinions, the quality of assets, risk management and internal control, etc..

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, the Company has 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.

Details of the Company's establishment of 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 2022, the Company continued to consolidate the foundation of internal control. The Company organized system evaluation and re-inspection within the Group and formulated the work plan of abolishing, amending and establishing system of the Company based on the applicable laws and regulations and regulatory policies, and in conjunction with relevant management requirements. The Company carried out re-evaluation to further enhance the systematicness and operability of its system and consolidate and deepen the achievements of internal control. The Company checked incompatible posts and duties to further improve the standardized management of the balanced internal control.

In the first half of 2022, the Company further promoted compliance risk management, enhanced compliance assessment orientation, focused on material compliance issues of regulatory concerns, and optimized the assessment indicators of internal control compliance of branches and subsidiaries, to improve the pertinence and effectiveness of assessment. Taking effective accountability and disciplinary measures, the Company strictly implemented the accountability for non-compliance with material matters, intensified supervision over the accountability of branches and subsidiaries, standardized accountability system for non-compliance of subsidiaries, and further strengthened the standardization and seriousness of accountability, to improve the compliance operation of the Company.

6 Significant Events

6.4 Internal Audit

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

In the first half of 2022, according to the annual internal audit plan, the Company developed and adopted innovative audit methods, promoted internal audit in every respect systematically, and continued to improve the quality and efficiency of internal audit. The Company implemented regulatory requirements, completed special audits such as the write-off of bad debts, layer contraction and the liquidation of certain institutions, and systematically promoted special audits such as asset risk classification and risk management; strengthened the supervision over the performance of cadres, and conducted the quitting audits and economic responsibility audits of certain middle and senior management of the Company; carried out internal control evaluation for 2021, completed the internal control evaluation report, and followed up on the problems found in the internal control evaluation and audit in the preceding three years and their rectification; promoted the implementation of the internal audit development plan, explored the establishment of a relatively centralized supervision system of internal audit, improved the internal audit system, upgraded the internal audit information system, actively organized training activities, strengthened the construction of the internal audit team, enhanced collaborative supervision and continued to promote the development the internal audit of the Company.

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 clear distribution standard and proportion with proper decision-making procedures and mechanism 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 2021 annual general meeting held on June 28, 2022, the cash dividends for 2021 would be distributed by the Company to all holders of ordinary shares at RMB0.9481 (tax inclusive) per 10 shares, representing total cash dividends of approximately RMB3.618 billion. On August 19, 2022, the Company distributed cash dividends of RMB0.9481 per 10 Shares (tax inclusive) to all holders of ordinary shares whose names appear on the register of members on July 11, 2022. No interim dividend will be declared for 2022 by the Company 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

During the Reporting Period, the Company did not undertake any material acquisition, disposal of assets or merger.

6.9 Implementation of Share Incentive Plan

During the Reporting Period, the Company did not implement any 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 Significant Events

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 or its subsidiaries.

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, 2022, 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 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 2022 prepared by the Company according to IFRS have been reviewed by Ernst & Young 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

The 2021 annual general meeting held on June 28, 2022 approved the re-appointment of Ernst & Young Hua Ming LLP and Ernst & Young (collectively, "**Ernst & Young**") as the domestic and international auditors for 2022, respectively, to provide the audit of annual financial statements, review of interim financial statements, audit of internal control and other relevant services for the Company for 2022. As of June 30, 2022, Ernst & Young had been providing audit services for the Company for seven years. The Company did not change its auditors in the preceding three years.

7 Review Report and Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2022

	Page(s)
Report on Review of Interim Condensed Consolidated Financial Statements	88
Interim Condensed Consolidated Statement of Profit or Loss	90
Interim Condensed Consolidated Statement of Comprehensive Income	92
Interim Condensed Consolidated Statement of Financial Position	94
Interim Condensed Consolidated Statement of Changes in Equity	97
Interim Condensed Consolidated Statement of Cash Flows	99
Notes to the Interim Condensed Consolidated Financial Statements	104

Report on Review of Interim Condensed Consolidated Financial Statements



Ernst & Young
22/F, CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong

To the Board of Directors of China Cinda Asset Management Co., Ltd.

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

Introduction

We have reviewed the interim condensed consolidated financial statements of China Cinda Asset Management Co., Ltd. (the “Company”) and its subsidiaries (collectively referred to as the “Group”), which comprise the interim condensed consolidated statement of financial position as at June 30, 2022, the related interim condensed consolidated statement of profit or loss, statement of comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 “Interim Financial Reporting” (“IAS 34”) issued by the International Accounting Standards Board.

The directors of the Company are responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with IAS 34. Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review. Our report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

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

Report on Review of Interim Condensed Consolidated Financial Statements

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34.

Ernst & Young

Certified Public Accountants

Hong Kong

August 29, 2022

Interim Condensed Consolidated Statement of Profit or Loss

For the six months ended June 30, 2022

(Amounts in thousands of RMB, unless otherwise stated)

	Notes IV	For the six months ended June 30,	
		2022 (Unaudited)	2021 (Unaudited)
Income from distressed debt assets at amortized cost	1	5,549,728	7,612,503
Fair value changes on distressed debt assets	2	6,223,338	8,272,908
Fair value changes on other financial instruments	3	4,697,801	4,770,635
Investment income	4	156,485	78,778
Interest income	5	12,139,538	12,055,581
Revenue from sales of inventories	6	7,039,007	4,534,356
Commission and fee income	7	2,451,690	2,462,233
Net gains on disposal of subsidiaries, associates and joint ventures	8	1,246,530	282,269
Other income and other net gains or losses	9	1,754,126	1,332,301
Total		41,258,243	41,401,564
Interest expense	10	(19,852,674)	(20,362,418)
Employee benefits		(2,692,995)	(3,133,968)
Purchases and changes in inventories	6	(5,914,865)	(3,841,255)
Commission and fee expense		(303,038)	(296,329)
Taxes and surcharges		(300,610)	(267,411)
Depreciation and amortization expenses		(1,005,291)	(1,026,562)
Other expenses		(1,638,732)	(1,486,700)
Impairment losses on assets	11	(5,876,630)	(3,179,382)
Total		(37,584,835)	(33,594,025)

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

Interim Condensed Consolidated Statement of Profit or Loss

For the six months ended June 30, 2022
(Amounts in thousands of RMB, unless otherwise stated)

	Notes IV	For the six months ended June 30,	
		2022 (Unaudited)	2021 (Unaudited)
Change in net assets attributable to other holders of consolidated structured entities		(9,017)	5,837
Profit before share of results of associates and joint ventures and tax		3,664,391	7,813,376
Share of results of associates and joint ventures		3,368,045	1,934,347
Profit before tax		7,032,436	9,747,723
Income tax expense	12	(2,051,987)	(2,670,824)
Profit for the period		4,980,449	7,076,899
Profit attributable to:			
Equity holders of the Company		4,508,199	6,687,405
Non-controlling interests		472,250	389,494
		4,980,449	7,076,899
Earnings per share attributable to ordinary equity holders of the Company (Expressed in RMB Yuan per share)	13		
– Basic		0.12	0.15
– Diluted		0.12	0.15

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

Interim Condensed Consolidated Statement of Comprehensive Income

For the six months ended June 30, 2022

(Amounts in thousands of RMB, unless otherwise stated)

	For the six months ended June 30,	
	2022 (Unaudited)	2021 (Unaudited)
Profit for the period	4,980,449	7,076,899
Other comprehensive income		
Items that may be reclassified subsequently to profit or loss:		
Fair value changes on debt instruments at fair value through other comprehensive income		
Fair value changes arising during the period	(1,109,061)	123,693
Amounts reclassified to profit or loss upon disposal	(159,556)	(90,372)
Amounts of profit or loss upon impairment	125,105	16,925
	(1,143,512)	50,246
Exchange differences arising on translation of foreign operations	629,007	(479,151)
Share of other comprehensive income of associates and joint ventures	(16,480)	(144,619)
Subtotal	(530,985)	(573,524)

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

Interim Condensed Consolidated Statement of Comprehensive Income

For the six months ended June 30, 2022
(Amounts in thousands of RMB, unless otherwise stated)

	For the six months ended June 30,	
	2022 (Unaudited)	2021 (Unaudited)
Items that will not be reclassified subsequently to profit or loss:		
Fair value changes on equity instruments designated as at fair value through other comprehensive income	(2,517,822)	91,284
Subtotal	(2,517,822)	91,284
Other comprehensive income for the period, net of income tax	(3,048,807)	(482,240)
Total comprehensive income for the period	1,931,642	6,594,659
Total comprehensive income attributable to:		
Equity holders of the Company	1,449,643	6,221,545
Non-controlling interests	481,999	373,114
	1,931,642	6,594,659

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

Interim Condensed Consolidated Statement of Financial Position

As at June 30, 2022

(Amounts in thousands of RMB, unless otherwise stated)

	Notes IV	As at June 30, 2022 (Unaudited)	As at December 31, 2021 (Audited)
Assets			
Cash and balances with central banks	15	13,762,216	18,045,729
Deposits with banks and financial institutions	16	107,629,495	99,921,346
Deposits with exchanges and others		2,225,909	2,202,860
Placements with banks and financial institutions	17	34,759,104	25,045,776
Financial assets at fair value through profit or loss	18	459,316,825	456,203,750
Financial assets held under resale agreements	19	9,672,146	68,204,309
Financial assets at fair value through other comprehensive income	20	127,622,448	122,592,326
Loans and advances to customers	21	387,546,365	368,031,445
Financial assets at amortized cost	22	182,389,034	183,535,039
Accounts receivable	23	4,291,295	3,203,037
Properties held for sale	24	35,709,500	44,061,194
Investment properties	25	9,245,588	9,426,590
Interests in associates and joint ventures		83,884,447	79,833,138
Property and equipment	28	16,596,633	15,551,141
Goodwill	29	22,393,850	21,422,080
Other intangible assets		3,542,630	3,519,626
Deferred tax assets	30	8,457,109	7,782,053
Other assets	31	32,220,462	35,697,835
Total assets		1,541,265,056	1,564,279,274

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

Interim Condensed Consolidated Statement of Financial Position

As at June 30, 2022

(Amounts in thousands of RMB, unless otherwise stated)

	Notes IV	As at June 30, 2022 (Unaudited)	As at December 31, 2021 (Audited)
Liabilities			
Borrowings from the central bank	32	986,058	996,043
Accounts payable to brokerage clients		20,220,034	17,605,589
Financial liabilities at fair value through profit or loss	33	8,966,122	7,942,939
Financial assets sold under repurchase agreements	34	29,146,832	15,095,770
Placements from banks and financial institutions	35	20,875,415	16,277,657
Borrowings	36	548,740,256	555,079,140
Due to customers	37	304,254,852	298,748,119
Deposits from banks and financial institutions	38	18,522,402	19,976,906
Accounts payable	39	4,662,548	5,389,488
Tax payable		3,140,749	3,814,474
Bonds issued	40	316,926,990	367,806,745
Contract liabilities	41	11,830,306	13,681,373
Deferred tax liabilities	30	1,985,112	2,159,381
Other liabilities	42	43,133,451	37,930,170
Total liabilities		1,333,391,127	1,362,503,794

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

Interim Condensed Consolidated Statement of Financial Position

As at June 30, 2022

(Amounts in thousands of RMB, unless otherwise stated)

	Notes IV	As at June 30, 2022 (Unaudited)	As at December 31, 2021 (Audited)
Equity			
Share capital	43	38,164,535	38,164,535
Other equity instruments	44	32,747,942	20,795,600
Capital reserve	45	20,451,019	20,541,741
Other comprehensive income	46	(4,430,734)	(1,372,178)
Surplus reserve		10,114,703	10,114,703
General reserve	47	16,853,332	17,065,621
Retained earnings		74,592,897	73,490,789
Equity attributable to equity holders of the Company		188,493,694	178,800,811
Non-controlling interests		19,380,235	22,974,669
Total equity		207,873,929	201,775,480
Total equity and liabilities		1,541,265,056	1,564,279,274

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

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



CHAIRMAN



EXECUTIVE DIRECTOR

Interim Condensed Consolidated Statement of Changes in Equity

For the six months ended June 30, 2022
(Amounts in thousands of RMB, unless otherwise stated)

	(Unaudited)										
	Equity attributable to equity holders of the Company									Non-controlling interests	Total
	Share capital (Note IV.43)	Other equity instruments (Note IV.44)	Capital reserve (Note IV.45)	Other comprehensive income (Note IV.46)	Surplus reserve	General reserve (Note IV.47)	Retained earnings	Subtotal			
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 June 30, 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 Changes in Equity

For the six months ended June 30, 2022

(Amounts in thousands of RMB, unless otherwise stated)

	(Unaudited)										
	Equity attributable to equity holders of the Company									Non-controlling interests	Total
	Share capital (Note IV.43)	Other equity instruments (Note IV.44)	Capital reserve (Note IV.45)	Other		Surplus reserve	General reserve (Note IV.47)	Retained earnings	Subtotal		
				comprehensive income (Note IV.46)	Total						
As at January 1, 2021	38,164,535	21,281,215	20,409,660	(1,237,414)	8,948,922	15,665,320	68,876,486	172,108,724	22,933,696	195,042,420	
Profit for the period	-	-	-	-	-	-	6,687,405	6,687,405	389,494	7,076,899	
Other comprehensive income for the period	-	-	-	(465,860)	-	-	-	(465,860)	(16,380)	(482,240)	
Total comprehensive income for the period	-	-	-	(465,860)	-	-	6,687,405	6,221,545	373,114	6,594,659	
Acquisition of additional interests in subsidiaries	-	-	-	-	-	-	-	-	(17,051)	(17,051)	
Disposal of subsidiaries	-	-	-	-	-	-	-	-	(16,994)	(16,994)	
Appropriation to general reserve	-	-	-	-	-	714,789	(714,789)	-	-	-	
Dividends recognized as distribution	-	-	-	-	-	-	(4,999,996)	(4,999,996)	-	(4,999,996)	
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	(66,511)	(66,511)	
Dividends paid to capital securities	-	-	-	-	-	-	-	-	(194,007)	(194,007)	
Share of associates' equity changes other than comprehensive income and distribution	-	-	(507,870)	-	-	-	-	(507,870)	-	(507,870)	
As at June 30, 2021	38,164,535	21,281,215	19,901,790	(1,703,274)	8,948,922	16,380,109	69,849,106	172,822,403	23,012,247	195,834,650	

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

Interim Condensed Consolidated Statement of Cash Flows

For the six months ended June 30, 2022
(Amounts in thousands of RMB, unless otherwise stated)

	For the six months ended June 30,	
	2022 (Unaudited)	2021 (Unaudited)
OPERATING ACTIVITIES		
Profit before tax	7,032,436	9,747,723
Adjustments for:		
Impairment losses on assets	5,876,630	3,179,382
Depreciation of property and equipment, investment properties and right-of-use assets	980,813	837,203
Amortization of intangible assets and other long-term assets	24,478	189,359
Share of results of associates and joint ventures	(3,368,045)	(1,934,347)
Net gains on disposal of property and equipment, investment properties and other intangible assets	(20,084)	(70,647)
Net gains on disposal of subsidiaries, associates and joint ventures	(1,246,530)	(282,269)
Fair value changes on financial assets	(2,274,013)	(5,451,848)
Investment income	(152,736)	(80,277)
Interest income	(4,116,060)	(1,260,569)
Borrowing costs	6,452,133	7,969,566

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

Interim Condensed Consolidated Statement of Cash Flows

For the six months ended June 30, 2022

(Amounts in thousands of RMB, unless otherwise stated)

	For the six months ended June 30,	
	2022 (Unaudited)	2021 (Unaudited)
Operating cash flows before movements in working capital	9,189,022	12,843,276
Increase in balances with central banks and deposits with banks and financial institutions	(6,095,930)	(4,600,117)
Increase in financial assets at fair value through profit or loss	(4,260,772)	(12,568,730)
Increase in placements with banks and financial institutions	(10,301,225)	(1,887,851)
Decrease in financial assets held under resale agreements	1,244,420	262,251
(Increase)/decrease in financial assets at amortized cost	(7,730,017)	8,914,944
Increase in loans and advances to customers	(18,122,617)	(14,142,183)
Increase in accounts receivable	(1,111,827)	(483,389)
Decrease/(increase) in properties held for sale	8,371,252	(3,214,472)
Increase in due to customers and deposits from banks and financial institutions	4,052,229	21,359,408
Increase/(decrease) in accounts payable to brokerage clients	2,614,445	(94,340)
Increase in financial assets sold under repurchase agreements	14,184,587	8,548,329
(Decrease)/increase in borrowings	(2,966,477)	32,021,876
(Decrease)/increase in accounts payable	(726,940)	153,020
(Decrease)/increase in contract liabilities	(1,851,067)	8,308,821
(Increase)/decrease in other operating assets	(5,464,658)	3,437,617
(Decrease)/increase in other operating liabilities	(3,733,611)	7,218,397
Cash (outflow)/inflow from operations	(22,709,186)	66,076,857
Income taxes paid	(94,638)	(3,763,903)
NET CASH (OUTFLOW)/INFLOW FROM OPERATING ACTIVITIES	(22,803,824)	62,312,954

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

Interim Condensed Consolidated Statement of Cash Flows

For the six months ended June 30, 2022
(Amounts in thousands of RMB, unless otherwise stated)

	For the six months ended June 30,	
	2022 (Unaudited)	2021 (Unaudited)
INVESTING ACTIVITIES		
Cash receipts from disposals and recovery of investment securities	62,987,084	72,627,070
Dividends received from investment securities	5,785,645	6,424,805
Dividends received from associates and joint ventures	1,138,400	98,542
Interest received from investment securities	1,166,606	1,260,569
Cash receipts from disposals of property and equipment, investment properties and other intangible assets	97,000	80,509
Net cash (outflows)/inflows from disposals of subsidiaries	(297,317)	1,537
Net cash flows from disposals of associates and joint ventures	2,489,567	1,146,553
Cash payments to acquire investment securities	(61,049,045)	(80,107,340)
Net cash inflows due to acquisition of subsidiaries	–	179,802
Net cash flows from consolidated structured entities	(855,831)	(82,347)
Cash payments for purchase of property and equipment, investment properties and other intangible assets	(1,065,880)	(545,375)
Cash payments for establishment and acquisition of interests in associates and joint ventures	(3,078,566)	(2,253,147)
NET CASH INFLOW/(OUTFLOW) FROM INVESTING ACTIVITIES	7,317,663	(1,168,822)

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

Interim Condensed Consolidated Statement of Cash Flows

For the six months ended June 30, 2022

(Amounts in thousands of RMB, unless otherwise stated)

	For the six months ended June 30,	
	2022 (Unaudited)	2021 (Unaudited)
FINANCING ACTIVITIES		
Proceeds from issuance of other equity instruments	11,952,342	–
Proceeds from issuance of capital securities	4,288,875	–
Capital contribution from non-controlling interests of subsidiaries of the Company	55,700	–
Cash payment to acquire additional interests in subsidiaries	–	(17,051)
Cash receipts from borrowings raised	14,769,277	18,256,447
Cash receipts from bonds issued	28,911,519	92,824,957
Cash repayments of borrowings	(18,943,909)	(29,749,214)
Cash repayments of bonds	(73,556,451)	(65,701,810)
Interest expenses on borrowings and bonds	(8,685,100)	(8,696,473)
Redemption of capital securities issued	(8,300,895)	–
Dividends paid to non-controlling interests of subsidiaries	(203,414)	(199,518)
Cash payments for other financing activities	429,746	(455,922)
NET CASH (OUTFLOW)/INFLOW FROM FINANCING ACTIVITIES	(49,282,310)	6,261,416

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

Interim Condensed Consolidated Statement of Cash Flows

For the six months ended June 30, 2022
(Amounts in thousands of RMB, unless otherwise stated)

	Notes IV	For the six months ended June 30,	
		2022 (Unaudited)	2021 (Unaudited)
NET INCREASE IN CASH AND CASH EQUIVALENTS		(64,768,471)	67,405,548
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD		173,326,056	120,733,347
Effect of foreign exchange changes		5,399,486	(1,469,386)
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	48	113,957,071	186,669,509
Net cash flows from operating activities include:			
Interest received		8,023,478	10,795,012
Interest paid		13,409,558	12,387,015

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 June 30, 2022

(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 April 19, 1999 as approved by the State Council of the PRC (the “State Council”). On June 29, 2010, China Cinda Asset Management Co., Ltd. was established after the completion of the financial restructuring of the Former Cinda as approved by the State Council. As at June 30, 2022, the MOF directly owned 58.00% of the share capital of the Company.

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

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

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

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2022
(Amounts in thousands of RMB, unless otherwise stated)

II. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

1. Basis of preparation

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

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

The interim condensed consolidated financial statements of the Group do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Group’s consolidated financial statements for the year ended December 31, 2021.

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

2. Principal accounting policies

Except as described below, the accounting policies and methods of computation used in the interim condensed consolidated financial statements for the six months ended June 30, 2022 are the same as those followed in the preparation of the Group’s consolidated financial statements for the year ended December 31, 2021.

3. Standards and amendments effective in 2022

In the current interim period, the Group has applied the following amendments to IFRSs that are effective for the Group’s annual period beginning on January 1, 2022.

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

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.

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2022

(Amounts in thousands of RMB, unless otherwise stated)

II. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (continued)

4. Standards and amendments that are not yet effective in 2022

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

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

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

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2022
(Amounts in thousands of RMB, unless otherwise stated)

III. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION

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

The significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those applied to the consolidated financial statements for the year ended December 31, 2021.

IV. EXPLANATORY NOTES

1. Income from distressed debt assets at amortized cost

The amounts mainly represent interest income and gains or losses from disposal of distressed debt assets at amortized cost, which were acquired from financial institutions and non-financial institutions (see Note IV.22 Financial assets at amortized cost).

For the six months ended June 30, 2022, the net gain on the derecognition of distressed debt assets at amortized cost was RMB264 million (For the six months ended June 30, 2021: RMB591 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.18 Financial assets at fair value through profit or loss).

The fair value changes comprise both realized gains or losses from disposal of distressed debt assets at fair value through profit or loss and unrealized fair value changes on such assets. Any interest income arising from such assets is included in fair value changes.

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2022

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

3. Fair value changes on other financial instruments

The amounts represent fair value changes on both financial assets at fair value through profit or loss (excluding distressed debt assets at fair value through profit or loss) and financial liabilities at fair value through profit or loss during the period (see Note IV.18 Financial assets at fair value through profit or loss and Note IV.33 Financial liabilities at fair value through profit or loss).

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

For the six months ended June 30, 2022 and 2021, the fair value changes on financial liabilities at fair value through profit or loss were insignificant.

	For the six months ended June 30,	
	2022 (Unaudited)	2021 (Unaudited)
Financial instruments classified as at fair value through profit or loss	4,697,801	4,770,635
Total	4,697,801	4,770,635

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2022
(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

4. Investment income

	For the six months ended June 30,	
	2022 (Unaudited)	2021 (Unaudited)
Net realized gains/(losses) on disposal of		
– Financial assets at fair value through other comprehensive income	159,556	74,932
– Loans and advances to customers at amortized cost	3,749	(1,499)
Dividend income from		
– Financial assets at fair value through other comprehensive income	951	1,037
Others	(7,771)	4,308
Total	156,485	78,778

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2022

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

5. Interest income

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

	For the six months ended June 30,	
	2022 (Unaudited)	2021 (Unaudited)
Loans and advances to customers		
– Corporate and personal loans and advances	5,758,409	6,296,150
– Finance lease receivables	1,863,927	1,534,431
– Loans to margin clients	308,056	331,161
Other debt investments at amortized cost	1,662,131	1,233,689
Financial assets at fair value through other comprehensive income	1,107,390	1,145,349
Deposits with banks and financial institutions	707,488	632,454
Financial assets held under resale agreements	484,741	668,085
Placements with banks and financial institutions	161,723	111,298
Others	85,673	102,964
Total	12,139,538	12,055,581

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2022
(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

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

	For the six months ended June 30,	
	2022 (Unaudited)	2021 (Unaudited)
Revenue from sales of inventories	7,039,007	4,534,356
Purchases and changes in inventories	(5,914,865)	(3,841,255)
Including:		
Revenue from sales of properties held for sale	7,022,605	4,277,566
Purchases and changes in properties held for sale	(5,909,364)	(3,594,817)
Gross profit from sales of properties held for sale	1,113,241	682,749
Revenue from other trading operations	16,402	256,790
Purchases and changes in inventories of other trading operations	(5,501)	(246,438)
Gross profit from other trading operations	10,901	10,352

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

	For the six months ended June 30,	
	2022 (Unaudited)	2021 (Unaudited)
Revenue recognized at a point in time		
Sales of properties held for sale	7,022,605	4,277,566

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2022

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

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

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

	For the six months ended June 30,	
	2022 (Unaudited)	2021 (Unaudited)
Amounts expected to be recognised as revenue:		
Within one year	8,681,158	15,817,144
After one year	2,850,072	7,188,208
Total	11,531,230	23,005,352

7. Commission and fee income

	For the six months ended June 30,	
	2022 (Unaudited)	2021 (Unaudited)
Fund and asset management business	709,884	469,854
Securities and futures brokerage	638,574	632,329
Banking business	316,169	387,094
Trustee services	298,030	205,063
Agency business	233,604	414,835
Consultancy and financial advisory services	119,357	123,169
Securities underwriting	49,215	81,808
Others	86,857	148,081
Total	2,451,690	2,462,233

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2022
(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

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

	For the six months ended June 30,	
	2022 (Unaudited)	2021 (Unaudited)
Net gains on disposal of subsidiaries	464,774	6,281
Net gains on disposal of associates and joint ventures	781,756	275,988
Total	1,246,530	282,269

9. Other income and other net gains or losses

	For the six months ended June 30,	
	2022 (Unaudited)	2021 (Unaudited)
Net gains/(losses) on exchange differences	839,086	(365,466)
Rental income	405,413	431,774
Revenue from property management business	186,241	159,475
Revenue from hotel operation	149,488	205,995
Income from liquidated damages	104,830	564,455
Government grants and compensation	91,553	43,996
Net gains on disposal of other assets	20,084	70,647
Others	(42,569)	221,425
Total	1,754,126	1,332,301

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2022

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

10. Interest expense

	For the six months ended June 30,	
	2022 (Unaudited)	2021 (Unaudited)
Borrowings	(11,225,373)	(11,449,236)
Bonds issued	(6,392,450)	(6,990,587)
Due to customers	(1,716,870)	(1,577,078)
Financial assets sold under repurchase agreements	(173,583)	(74,801)
Deposits from banks and financial institutions	(159,693)	(123,602)
Placements from banks and other financial institutions	(115,260)	(54,348)
Accounts payable to brokerage clients	(41,703)	(27,353)
Lease liabilities	(21,538)	(18,486)
Others	(6,204)	(46,927)
Total	(19,852,674)	(20,362,418)

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2022
(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

11. Impairment losses on assets

	For the six months ended June 30,	
	2022 (Unaudited)	2021 (Unaudited)
Financial assets at amortized cost		
– Distressed debt assets	(4,438,306)	(877,226)
– Other debt investments	(484,202)	(48,187)
Loans and advances to customers	(755,373)	(1,802,279)
Financial assets at fair value through other comprehensive income	(110,506)	(10,709)
Assets in satisfaction of debts	(98,574)	(14,196)
Accounts receivable	(23,569)	(38,489)
Properties held for sales	(16,881)	(203,750)
Financial assets held under resale agreements	11,687	51,246
Credit commitments	429	(180,448)
Property and equipment	–	(20,731)
Other assets	38,665	(34,613)
Total	(5,876,630)	(3,179,382)

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2022

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

12. Income tax expense

	For the six months ended June 30,	
	2022 (Unaudited)	2021 (Unaudited)
Current income tax:		
– PRC Enterprise Income Tax	(1,542,835)	(2,637,574)
– PRC Land Appreciation Tax	(225,418)	(109,171)
– Hong Kong Profits Tax	(184,827)	(211,578)
– Overseas taxation	(1,453)	(274)
(Underprovision)/Overprovision in prior years	89,499	(109,295)
Subtotal	(1,865,034)	(3,067,892)
Deferred income tax (Note IV.30)	(186,953)	397,068
Total	(2,051,987)	(2,670,824)

The statutory income tax rate applicable to PRC enterprises was 25% for the period (for the six months ended June 30, 2021: 25%).

Hong Kong Profits Tax was calculated at 16.5% (for the six months ended June 30, 2021: 16.5%) of the estimated assessable profit for the period.

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2022
(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

13. Earnings per share attributable to equity holders of the Company

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

	For the six months ended June 30,	
	2022 (Unaudited)	2021 (Unaudited)
Earnings:		
Profit attributable to equity holders of the Company	4,508,199	6,687,405
Less: Dividends on preference shares declared	–	1,027,068
Profit attributable to ordinary equity holders of the Company	4,508,199	5,660,337
Number of shares:		
Weighted average number of shares in issue for the purpose of basic earnings per share (in thousand)	38,164,535	38,164,535
Weighted average number of shares in issue for the purpose of diluted earnings per share (in thousand)	38,164,535	38,164,535
Basic earnings per share (RMB Yuan)	0.12	0.15
Diluted earnings per share (RMB Yuan)	0.12	0.15

There were no potentially dilutive shares outstanding for the six months ended June 30, 2022 and June 30, 2021.

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2022

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

14. Dividends

	For the six months ended June 30,	
	2022 (Unaudited)	2021 (Unaudited)
Final dividends of 2021	3,618,380	–
Final dividends of 2020	–	3,972,928
Dividends recognized as distribution during the period	3,618,380	3,972,928

A cash dividend of approximately RMB3,618.38 million in total for the year of 2021 was approved, after the required appropriations for the general reserve on the net profit of the Company for the year of 2021 as determined under China Accounting Standards, at the annual general meeting for 2021 held on June 28, 2022.

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2022
(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

15. Cash and balances with central banks

	As at June 30, 2022 (Unaudited)	As at December 31, 2021 (Audited)
Cash	515,426	447,078
Mandatory reserve deposits with central banks (1)	6,736,182	7,715,146
Surplus reserve deposits with central banks	1,710,246	5,100,428
Other deposits with central banks	4,800,362	4,783,077
Total	13,762,216	18,045,729
Including:		
Restricted		
– Balances with central banks	6,736,182	7,715,146

- (1) In accordance with relevant regulations, Nanyang Commercial Bank, Limited, a subsidiary of the bank operations, is required to place mandatory reserve deposits with the People's Bank of China (the "PBOC") for customer deposits in both RMB and foreign currencies. As at June 30, 2022, the mandatory deposits were calculated at 7.75% of customer deposits denominated in RMB (December 31, 2021: 8%) and 8% of customer deposits denominated in foreign currencies (December 31, 2021: 9%). Mandatory reserve deposits are not available for use by the Group in its daily operations.

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2022

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

16. Deposits with banks and financial institutions

	As at June 30, 2022 (Unaudited)	As at December 31, 2021 (Audited)
Deposits with banks		
– House accounts	85,319,343	79,967,119
– Cash held on behalf of clients	16,054,711	13,788,042
Clearing settlement funds		
– House accounts	488,668	511,177
– Clients	3,002,748	2,790,398
Deposits with other financial institutions		
– House accounts	2,661,005	2,786,124
Interest receivable	103,089	78,581
Subtotal	107,629,564	99,921,441
Less: Allowance for impairment losses	69	95
Total	107,629,495	99,921,346
Including: Restricted	29,959,257	24,093,393

Pledged bank deposits represent deposits that have been pledged to secure bank borrowings. As at June 30, 2022, the Group had no pledged bank deposits (December 31, 2021: the Group's pledged bank deposits was nil).

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2022
(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

16. Deposits with banks and financial institutions (continued)

The Group's clearing settlement funds bear interest at prevailing market interest rates and mainly deposited in the China Securities Depository and Clearing Corporation Limited. As at June 30, 2022, the Group's restricted clearing settlement funds amounted to RMB3,002.75 million (December 31, 2021: RMB2,790.40 million).

As at June 30, 2022, the Group's deposits with banks and financial institutions in Stage I, II and III amounted to RMB107,629.56 million, nil and nil, respectively (December 31, 2021: RMB99,921.44 million, nil and nil, respectively). The allowance for impairment losses amounted to RMB0.07 million, nil and nil, respectively (December 31, 2021: RMB0.10 million, nil and nil, respectively).

17. Placements with banks and financial institutions

	As at June 30, 2022 (Unaudited)	As at December 31, 2021 (Audited)
Banks	33,582,921	24,268,463
Other financial institutions	1,149,931	764,837
Interest receivable	32,144	14,254
Subtotal	34,764,996	25,047,554
Less: Allowance for impairment losses	5,892	1,778
Total	34,759,104	25,045,776

As at June 30, 2022, the Group's placements with banks and financial institutions in Stage I, II and III amounted to RMB34,765.00 million, nil and nil, respectively (December 31, 2021: RMB25,047.55 million, nil and nil, respectively). The allowance for impairment losses on placements with banks and financial institutions in Stage I, II and III amounted to RMB5.89 million, nil and nil, respectively (December 31, 2021: RMB1.78 million, nil and nil, respectively).

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2022

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

18. Financial assets at fair value through profit or loss

	As at June 30, 2022 (Unaudited)	As at December 31, 2021 (Audited)
Financial assets classified as at fair value through profit or loss		
Listed investments:		
Equity investments	19,023,331	19,169,262
Debt securities		
– Government bonds	2,127,171	1,342,652
– Financial institution bonds	1,936,306	666,349
– Corporate bonds	16,699,919	16,530,536
Funds	8,353,251	5,693,792
Corporate convertible bonds	824,110	343,869
Certificates of deposit	–	1,268,874
Subtotal	48,964,088	45,015,334
Unlisted investments:		
Distressed debt assets	210,004,037	203,739,505
Funds	87,655,861	93,315,437
Equity investments	52,743,351	51,174,895
Debt instruments	18,863,005	22,393,054
Trust products and asset management plans	26,113,797	26,176,595
Security investments	11,249,441	11,433,796
Derivative financial assets (1)	1,950,704	1,087,428
Wealth management products	1,470,051	1,531,919
Others	302,490	335,787
Subtotal	410,352,737	411,188,416
Total	459,316,825	456,203,750

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2022
(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

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

(1) Derivative financial instruments

	As at June 30, 2022 (Unaudited)			As at December 31, 2021 (Audited)		
	Contractual/ Notional amount	Fair value Assets	Liabilities	Contractual/ Notional amount	Fair value Assets	Liabilities
Exchange rate derivatives						
Currency forwards and swaps, and cross-currency interest rate swaps	89,471,869	1,120,836	(535,451)	70,605,504	494,075	(288,520)
Currency options	1,846,702	196,221	(231,017)	4,695,966	99,665	(83,089)
Subtotal	91,318,571	1,317,057	(766,468)	75,301,470	593,740	(371,609)
Interest rate derivatives						
Interest rate swaps and futures	98,893,095	340,798	(198,757)	123,151,385	158,304	(291,029)
Equity derivatives (i)	10,209,057	203,979	-	7,546,622	206,055	-
Commodity derivatives and others	381,992	88,870	(1,601)	483,658	129,329	(5,908)
Total	200,802,715	1,950,704	(966,826)	206,483,135	1,087,428	(668,546)

(i) Please refer to Note IV.54.2 Fair values of financial assets and financial liabilities that are measured at fair value on a recurring basis for fair value measurement of equity derivatives.

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2022

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

19. Financial assets held under resale agreements

	As at June 30, 2022 (Unaudited)	As at December 31, 2021 (Audited)
By collateral type		
Bonds	8,584,095	66,939,741
Stocks	1,361,492	1,496,606
Interest receivable	2,667	64,890
Subtotal	9,948,254	68,501,237
Less: Allowance for impairment losses	276,108	296,928
Total	9,672,146	68,204,309

As at June 30, 2022, the Group's assets held under resale agreements in Stage I, II and III amounted to RMB9,578.42 million, nil and RMB369.83 million, respectively (As at December 31, 2021: RMB68,070.96 million, nil and RMB430.28 million, respectively). The allowance for impairment losses in Stage I, II and III amounted to RMB0.35 million, nil and RMB275.76 million, respectively (As at December 31, 2021: RMB11.13 million, nil and RMB285.80 million, respectively).

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2022
(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

20. Financial assets at fair value through other comprehensive income

	As at June 30, 2022 (Unaudited)	As at December 31, 2021 (Audited)
Debt investments at fair value through other comprehensive income		
Debt securities		
– Government bonds	54,603,836	42,358,523
– Public sector and quasi-government bonds	3,087,250	3,701,620
– Financial institution bonds	42,768,181	35,188,300
– Corporate bonds	21,003,128	31,738,947
Interest receivable	800,475	894,062
Subtotal	122,262,870	113,881,452
Equity investments designated as at fair value through other comprehensive income		
Equity instruments	5,359,578	8,710,874
Subtotal	5,359,578	8,710,874
Total	127,622,448	122,592,326

As at June 30, 2022, the Group's debt investments at fair value through other comprehensive income in Stage I, II and III amounted to RMB123,767.08 million, RMB184.69 million and RMB281.48 million, respectively (December 31, 2021: RMB113,306.81 million, RMB133.42 million, RMB302.59 million, respectively). The allowance for impairment losses amounted to RMB110.55 million, RMB21.33 million and RMB231.89 million, respectively (December 31, 2021: RMB82.87 million, RMB21.75 million and RMB241.69 million, respectively).

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2022

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

20. Financial assets at fair value through other comprehensive income (continued)

As at June 30, 2022, the Group's equity investments at fair value through other comprehensive income amounted to RMB5,359.58 million (December 31, 2021: RMB8,710.87 million). The above equity investments were irrevocably designated as at fair value through other comprehensive income as the Group considers these investments to be strategic in nature. For the six months ended June 30, 2022, the Group received dividends at the amount of RMB0.95 million (for the six months ended June 30, 2021: RMB1.04 million) from equity investments designated as at fair value through other comprehensive income.

21. Loans and advances to customers

	As at June 30, 2022 (Unaudited)	As at December 31, 2021 (Audited)
At amortized cost		
Corporate loans and advances		
– Loans and advances	245,405,462	232,002,826
– Discounted bills	558,895	355,175
Personal loans and advances		
– Mortgages	28,979,406	29,538,886
– Personal consumption loans	21,874,965	22,064,294
Loans to margin clients	8,746,996	10,912,566
Finance lease receivables	68,214,515	60,954,059
Subtotal	373,780,239	355,827,806
Interest accrued	3,402,860	2,593,997
Total loans and advances to customers at amortized cost	377,183,099	358,421,803

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2022
(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

21. Loans and advances to customers (continued)

	As at June 30, 2022 (Unaudited)	As at December 31, 2021 (Audited)
At fair value through profit or loss		
Corporate loans and advances	19,591,634	19,207,444
Total loans and advances to customers	396,774,733	377,629,247
Less: Allowance for impairment losses on loans and advances to customers at amortized cost	9,228,368	9,597,802
Net loans and advances to customers	387,546,365	368,031,445

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2022

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

21. Loans and advances to customers (continued)

Loans and advances at amortized cost are as follows:

	Stage I (12-month ECL)	Stage II (Lifetime ECL)	Stage III (Lifetime ECL-impaired)	Total
As at June 30, 2022				
Gross loans and advances	352,293,951	17,237,231	7,651,917	377,183,099
Less: Allowances for impairment losses	3,159,556	1,982,540	4,086,272	9,228,368
Net loans and advances to customers	349,134,395	15,254,691	3,565,645	367,954,731

	Stage I (12-month ECL)	Stage II (Lifetime ECL)	Stage III (Lifetime ECL-impaired)	Total
As at December 31, 2021				
Gross loans and advances	332,675,530	17,811,478	7,934,795	358,421,803
Less: Allowances for impairment losses	2,697,758	2,326,250	4,573,794	9,597,802
Net loans and advances to customers	329,977,772	15,485,228	3,361,001	348,824,001

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2022
(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

21. Loans and advances to customers (continued)

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

	For the six months ended June 30, 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	9,948	(9,948)	–	–
Convert to Stage II	(107,664)	173,000	(65,336)	–
Convert to Stage III	(181)	(832,892)	833,073	–
Impairment losses recognized	902,324	330,691	454,750	1,687,765
Impairment losses reversed	(372,291)	(741,906)	(806,287)	(1,920,484)
Stage conversion	(4,710)	728,350	264,452	988,092
Write-off and transfer out	–	–	(1,246,833)	(1,246,833)
Recovery of loans and advances written off in previous years	–	–	36,609	36,609
Unwinding of discount on allowance	–	–	(68,998)	(68,998)
Exchange differences	34,372	8,995	111,048	154,415
As at June 30	3,159,556	1,982,540	4,086,272	9,228,368

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 June 30, 2022 was not significant.

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2022

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

21. Loans and advances to customers (continued)

	2021			Total
	Stage I (12-month ECL)	Stage II (Lifetime ECL)	Stage III (Lifetime ECL-impaired)	
As at January 1	2,351,618	1,948,428	3,185,612	7,485,658
Convert to Stage I	157,583	(157,583)	-	-
Convert to Stage II	(208,989)	208,989	-	-
Convert to Stage III	(44,376)	(1,164,403)	1,208,779	-
Impairment losses recognized	1,419,535	426,784	1,788,436	3,634,755
Impairment losses reversed	(832,716)	(171,980)	(931,236)	(1,935,932)
Stage conversion	(132,474)	1,328,140	1,038,988	2,234,654
Write-off and transfer out	-	(84,502)	(1,692,887)	(1,777,389)
Recovery of loans and advances				
written off in previous years	-	-	26,305	26,305
Unwinding of discount on allowance	-	-	(23,645)	(23,645)
Exchange differences	(12,423)	(7,623)	(26,558)	(46,604)
As at December 31	2,697,758	2,326,250	4,573,794	9,597,802

The gross carrying amount of loans and advances to customers transferred from Stage II to Stage I due to the modification of the contractual cash flows in the year of 2021 was not significant.

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2022
(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

21. Loans and advances to customers (continued)

Finance lease receivables are analyzed as follows:

	As at June 30, 2022 (Unaudited)	As at December 31, 2021 (Audited)
Minimum finance lease receivables:		
Within 1 year (inclusive)	27,590,368	25,035,349
1 year to 2 years (inclusive)	21,188,641	18,319,538
2 years to 3 years (inclusive)	14,420,343	11,724,668
3 years to 4 years (inclusive)	7,089,385	6,525,934
4 years to 5 years (inclusive)	3,034,606	3,322,117
Over 5 years	1,834,624	2,550,580
Gross amount of finance lease receivables	75,157,967	67,478,186
Less: Unearned finance income	6,943,452	6,524,127
Subtotal	68,214,515	60,954,059

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2022

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

21. Loans and advances to customers (continued)

	As at June 30, 2022 (Unaudited)	As at December 31, 2021 (Audited)
Interest accrued	429,010	341,556
Net amount of finance lease receivables	68,643,525	61,295,615
Less: Allowance for impairment losses	2,518,755	2,402,776
Carrying amount of finance lease receivables	66,124,770	58,892,839
Present value of minimum lease receivables:		
Within 1 year (inclusive)	24,937,997	22,593,459
1 year to 2 years (inclusive)	19,286,776	16,634,748
2 years to 3 years (inclusive)	13,292,665	10,677,802
3 years to 4 years (inclusive)	6,636,840	6,044,827
4 years to 5 years (inclusive)	2,842,175	3,082,986
Over 5 years	1,647,072	2,261,793
Total	68,643,525	61,295,615
Including:		
Finance lease receivables pledged for borrowings	5,236,332	7,630,758

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2022
(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

22. Financial assets at amortized cost

	As at June 30, 2022 (Unaudited)	As at December 31, 2021 (Audited)
Distressed debt assets		
– Acquired from financial institutions	5,337,776	6,335,992
– Acquired from non-financial institutions	129,522,786	138,207,028
Subtotal	134,860,562	144,543,020
Interest accrued	5,284,529	4,389,571
Gross of distressed debt assets	140,145,091	148,932,591
Less: Allowance for impairment losses	16,483,430	14,459,897
Net of distressed debt assets	123,661,661	134,472,694
Other debt investments	58,821,817	50,052,184
Interest accrued	2,122,724	900,072
Gross of other debt investments	60,944,541	50,952,256
Less: Allowance for impairment losses	2,217,168	1,889,911
Net of other debt investments	58,727,373	49,062,345
Total	182,389,034	183,535,039

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2022

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

22. Financial assets at amortized cost (continued)

Distressed debt assets are as follows:

	Stage I (12-month ECL)	Stage II (Lifetime ECL)	Stage III (Lifetime ECL-impaired)	Total
As at June 30, 2022				
Gross distressed debt assets	93,403,450	33,694,310	13,047,331	140,145,091
Less: Allowance for impairment losses	3,273,827	7,385,222	5,824,381	16,483,430
Net distressed debt assets	90,129,623	26,309,088	7,222,950	123,661,661
As at December 31, 2021				
Gross distressed debt assets	107,656,389	32,392,405	8,883,797	148,932,591
Less: Allowance for impairment losses	4,517,581	6,635,010	3,307,306	14,459,897
Net distressed debt assets	103,138,808	25,757,395	5,576,491	134,472,694

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2022
(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

22. Financial assets at amortized cost (continued)

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

	For the six months ended June 30, 2022			Total
	Stage I (12-month ECL)	Stage II (Lifetime ECL)	Stage III (Lifetime ECL-impaired)	
As at January 1	4,517,581	6,635,010	3,307,306	14,459,897
Convert to Stage I	64,278	(64,278)	–	–
Convert to Stage II	(363,216)	363,216	–	–
Convert to Stage III	(24,472)	(1,154,657)	1,179,129	–
Impairment losses recognized	409,919	3,119,698	841,271	4,370,888
Impairment losses reversed	(1,228,857)	(653,051)	(114,788)	(1,996,696)
Stage conversion	(37,344)	851,073	1,250,385	2,064,114
Write-off and transfer out	(64,062)	(1,711,789)	(438,492)	(2,214,343)
Unwinding of discount on allowance	–	–	(200,430)	(200,430)
As at June 30	3,273,827	7,385,222	5,824,381	16,483,430

	2021			Total
	Stage I (12-month ECL)	Stage II (Lifetime ECL)	Stage III (Lifetime ECL-impaired)	
As at January 1	5,575,629	7,690,661	3,258,555	16,524,845
Convert to Stage I	168,622	(168,622)	–	–
Convert to Stage II	(760,353)	760,353	–	–
Convert to Stage III	(5,388)	(3,175,931)	3,181,319	–
Impairment losses recognized	2,115,448	1,800,815	793,193	4,709,456
Impairment losses reversed	(2,324,597)	(934,941)	(334,980)	(3,594,518)
Stage conversion	(19,680)	836,538	2,402,483	3,219,341
Write-off and transfer out	(232,100)	(173,863)	(5,943,567)	(6,349,530)
Unwinding of discount on allowance	–	–	(49,697)	(49,697)
As at December 31	4,517,581	6,635,010	3,307,306	14,459,897

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2022

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

23. Accounts receivable

	As at June 30, 2022 (Unaudited)	As at December 31, 2021 (Audited)
Accounts receivable from sales of properties	1,254,154	974,055
Accounts receivable relating to equity assets (1)	1,082,384	1,082,384
Accounts receivable relating to distressed debt assets	932,415	432,003
Commission and fee receivables	676,681	464,260
Others	651,390	529,309
Gross of accounts receivable	4,597,024	3,482,011
Less: Allowance for impairment losses	305,729	278,974
Net of accounts receivable	4,291,295	3,203,037

- (1) As at June 30, 2022, accounts receivable relating to disposal of debt-to-equity assets amounted to RMB384.37 million (As at December 31, 2021: RMB384.37 million). These receivables bear interest at nil to 7.99% per annum (As at December 31, 2021: Nil to 7.99%).

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2022
(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

23. Accounts receivable (continued)

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

	As at June 30, 2022 (Unaudited)				As at December 31, 2021 (Audited)			
	Gross amount	%	Impairment	Carrying amount	Gross amount	%	Impairment	Carrying amount
Within 1 year (inclusive)	898,335	71	(78,698)	819,637	405,847	49	(39,350)	366,497
1 year to 2 years (inclusive)	13,263	1	-	13,263	11,927	1	-	11,927
2 years to 3 years (inclusive)	13,771	1	-	13,771	14,229	2	-	14,229
Over 3 years	407,054	27	(15,640)	391,414	400,008	48	(15,640)	384,368
Total	1,332,423	100	(94,338)	1,238,085	832,011	100	(54,990)	777,021

The movements of allowance for impairment losses are as follows:

	For the six months ended June 30, 2022 (Unaudited)	For the year ended December 31, 2021 (Audited)
At beginning of the period/year	278,974	210,697
Impairment losses recognized	41,170	106,175
Impairment losses reversed	(17,601)	(10,087)
Amounts written off and transferred out and others	3,186	(27,811)
At end of the period/year	305,729	278,974

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2022

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

24. Properties held for sale

	As at June 30, 2022 (Unaudited)	As at December 31, 2021 (Audited)
Completed properties	13,549,599	17,466,952
Properties under development	24,031,379	29,456,322
Others	12,670	12,695
Subtotal	37,593,648	46,935,969
Less: Allowance for impairment losses	1,884,148	2,874,775
Total	35,709,500	44,061,194
Including:		
Pledged for borrowings	7,382,218	12,875,515

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2022
(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

25. Investment properties

For the six months ended June 30, 2022, the Group acquired no investment properties (for the six months ended June 30, 2021: RMB452.30 million), and disposed of investment properties with an aggregate amount of RMB53.31 million at net book value (for the six months ended June 30, 2021: RMB10.47 million).

As at June 30, 2022, the net book value of investment properties which the Group pledged for borrowings amounted to RMB2,637.40 million (December 31, 2021: RMB2,558.01 million).

As at June 30, 2022, the value of investment properties for which the Group has not obtained certificates of land use rights or certificates of property ownership was nil (December 31, 2021: RMB211.67 million).

26. Interests in consolidated structured entities

The Group had consolidated certain structured entities including private equity funds, trusts, asset management plans, mutual funds. The judgments used by the Group to determine whether control exists are the same as those that are applied to the consolidated financial statements for the year ended December 31, 2021.

The financial impact of each of the private equity funds, trusts, asset management plans, mutual funds on the Group's financial position as at June 30, 2022 and December 31, 2021, and results and cash flows for the six months ended June 30, 2022 and the year ended December 31, 2021, though consolidated, is not significant individually and therefore not disclosed separately.

Interests held by other holders are presented as change in net assets attributable to other holders of consolidated structured entities in the interim condensed consolidated statement of profit or loss and included in other liabilities in the interim condensed consolidated statement of financial position as set out in Note IV.42 Other liabilities.

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2022

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

27. Interests in unconsolidated structured entities

Structured entities over which the Group had power by virtue of the Group serving as general partner, manager or trustee during the period include private equity funds, mutual funds, trusts, asset management plans, wealth management products and asset-backed securities. Except for the structured entities over which the Group has consolidated as detailed in Note IV.26 Interests in consolidated structured entities, in the opinion of the directors of the Company, the variable returns to which the Group is exposed over the structured entities that the Group has interests in are not significant nor the Group has the control over these entities. The Group therefore did not consolidate these structured entities.

28. Property and equipment

For the six months ended June 30, 2022, the Group acquired property and equipment with an aggregate amount of RMB1,024.28 million at cost (for the six months ended June 30, 2021: RMB51.95 million), and disposed of property and equipment with an aggregate amount of RMB26.22 million at net book value (for the six months ended June 30, 2021: RMB2.95 million).

As at June 30, 2022, the Group's construction in progress amounted to RMB38.11 million (December 31, 2021: RMB39.92 million).

As at June 30, 2022, the Group's property for which the Group has not obtained a certificate of property ownership amounted to RMB517.80 million (December 31, 2021: RMB504.89 million).

As at June 30, 2022, the net book value of property and equipment which the Group pledged for borrowings amounted to RMB2,237.83 million (December 31, 2021: RMB2,154.49 million).

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2022
(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

29. Goodwill

	As at June 30, 2022 (Unaudited)	As at December 31, 2021 (Audited)
Carrying amount		
At beginning of the period/year	22,660,148	23,281,626
Exchange differences	971,770	(621,478)
At end of the period/year	23,631,918	22,660,148
Allowance for impairment losses		
At beginning of the period/year	(1,238,068)	(1,238,068)
At end of the period/year	(1,238,068)	(1,238,068)
Net book value		
At beginning of the period/year	21,422,080	22,043,558
At end of the period/year	22,393,850	21,422,080

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2022

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

30. Deferred taxation

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

	As at June 30, 2022 (Unaudited)	As at December 31, 2021 (Audited)
Deferred tax assets	8,457,109	7,782,053
Deferred tax liabilities	(1,985,112)	(2,159,381)
Deferred taxation	6,471,997	5,622,672

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2022
(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

30. Deferred taxation (continued)

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

	(Unaudited)										Total		
	Allowance for impairment losses	Withholding land appreciation tax	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 FYTPL	Temporary differences related to the cost of associates and joint ventures (i)	Changes in fair value and impairment losses on financial assets at FVOCI		Unrealized loss due to income rights transfer	Others
As at January 1, 2022	8,454,244	470,998	(872,656)	1,229,927	736,294	191,762	128,517	824,398	(5,336,358)	126,696	447,624	82,026	5,622,672
Credit/(charge) to profit or loss	431,359	(61,314)	22,968	(142,306)	(152,435)	(51,124)	4,225	157,446	(463,253)	(1,092)	-	94,041	(186,953)
Charge to other comprehensive income/(expense)	-	-	-	-	-	-	-	-	4,829	1,069,267	-	1,691	1,075,787
Others	(124,506)	-	(31,547)	947	-	-	332	126,005	4,424	3,846	-	4,202	(39,509)
As at June 30, 2022	8,761,097	389,684	(881,235)	1,088,568	583,859	140,628	134,074	1,107,849	(5,810,358)	1,198,717	447,624	181,960	6,471,997

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2022

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

30. Deferred taxation (continued)

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

	(Audited)										Total		
	Allowance for impairment losses	Withholding land appreciation tax losses	Fair value adjustments in business combination	Staff costs accrued but not paid	Interest capitalized on properties held for sale	Tax losses	Provisions at FVTPL	Changes in fair value of financial assets	Temporary differences related to the cost of associates and joint ventures (i)	Changes in fair value and impairment losses on financial assets at FVOCI		Unrealized loss due to income rights transfer	Others
As at January 1, 2021	8,043,482	537,486	(910,483)	1,139,037	703,018	270,401	102,340	1,787,303	(4,897,229)	202,779	689,017	(166,002)	6,577,096
Credit/(charge) to profit or loss	420,013	29,489	33,147	87,572	33,276	(78,124)	27,325	(958,633)	(603,248)	13,307	(241,393)	278,721	(928,112)
Charge to other comprehensive income/(expense)	-	-	-	(538)	-	-	-	-	5,518	(91,267)	-	-	(86,287)
Others	(9,251)	(95,977)	15,546	3,856	-	(525)	(148)	(4,272)	158,601	1,877	-	(30,693)	59,975
As at December 31, 2021	8,454,244	470,998	(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

(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.

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2022
(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

31. Other assets

	As at June 30, 2022 (Unaudited)	As at December 31, 2021 (Audited)
Assets in satisfaction of debts	13,278,687	10,889,344
Other receivables	9,068,913	10,304,039
Prepayments	3,231,862	6,248,776
Prepaid taxes	1,830,251	3,650,019
Dividends receivable	1,663,683	1,305,948
Right-of-use assets	1,029,280	1,067,132
Assets with continuing involvement (<i>Note IV.50</i>)	409,205	409,205
Notes receivable	380,760	495,308
Interest receivable	321,341	411,766
Long-term prepaid expenses	281,800	288,974
Precious metals	276,932	303,483
Others	447,748	323,841
Total	32,220,462	35,697,835

32. Borrowings from the central bank

	As at June 30, 2022 (Unaudited)	As at December 31, 2021 (Audited)
Borrowings from the central bank	986,058	996,043

The borrowings from the central bank are the outstanding interest on the loans from the People's Bank of China for purchasing the non-performing assets of commercial banks.

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2022

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

33. Financial liabilities at fair value through profit or loss

	As at June 30, 2022 (Unaudited)	As at December 31, 2021 (Audited)
Short positions in exchange fund bills and notes	7,307,961	6,903,073
Derivative financial liabilities (Note IV.18.(1))	966,826	668,546
Financing payables linked to stock index	691,335	371,320
Total	8,966,122	7,942,939

34. Financial assets sold under repurchase agreements

	As at June 30, 2022 (Unaudited)	As at December 31, 2021 (Audited)
By collateral type:		
Debt securities	29,125,715	15,087,671
Subtotal	29,125,715	15,087,671
Interest payable	21,117	8,099
Total	29,146,832	15,095,770

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2022
(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

35. Placements from banks and financial institutions

	As at June 30, 2022 (Unaudited)	As at December 31, 2021 (Audited)
Banks	16,278,218	12,236,585
Other financial institutions	4,570,000	4,021,802
Subtotal	20,848,218	16,258,387
Interest payable	27,197	19,270
Total	20,875,415	16,277,657

36. Borrowings

	As at June 30, 2022 (Unaudited)	As at December 31, 2021 (Audited)
Borrowings from banks and financial institutions		
Unsecured loans	512,789,600	514,728,445
Loans secured by properties	9,150,194	9,153,739
Other secured loans	23,521,215	27,335,508
Subtotal	545,461,009	551,217,692
Interest payable	3,279,247	3,861,448
Total	548,740,256	555,079,140

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2022

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

36. Borrowings (continued)

Loans secured by properties were collateralized by properties held for sale, property and equipment and investment properties at an aggregate carrying amount of RMB12,257 million as at June 30, 2022 (December 31, 2021: RMB17,588 million). Other secured loans were interests in associates and joint ventures and finance lease receivables at an aggregate carrying amount of RMB10,583 million as at June 30, 2022 (December 31, 2021: RMB7,739 million). The variable rates of borrowings used by the Group were floating based on the benchmark interest rates of deposits or loans published by the People's Bank of China, Hong Kong Inter-bank Offered Rate ("HIBOR"), London Inter-bank Offered Rate ("LIBOR") or Loan Prime Rate ("LPR").

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

	As at June 30, 2022 (Unaudited)	As at December 31, 2021 (Audited)
Fixed-rate borrowings	1.37%-7.50%	1.09%-6.50%
Variable-rate borrowings	0.12%-6.00%	0.78%-4.75%

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2022
(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

37. Due to customers

	As at June 30, 2022 (Unaudited)	As at December 31, 2021 (Audited)
Demand deposits		
Corporate	54,975,361	50,122,601
Personal	51,228,706	49,754,637
Time deposits		
Corporate	108,906,150	111,651,291
Personal	74,382,085	73,988,454
Guarantee deposits	13,497,796	12,078,885
Subtotal	302,990,098	297,595,868
Interest payable	1,264,754	1,152,251
Total	304,254,852	298,748,119

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2022

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

38. Deposits from banks and financial institutions

	As at June 30, 2022 (Unaudited)	As at December 31, 2021 (Audited)
Banks	2,043,362	3,151,217
Other financial institutions	16,211,568	16,649,017
Subtotal	18,254,930	19,800,234
Interest payable	267,472	176,672
Total	18,522,402	19,976,906

39. Accounts payable

	As at June 30, 2022 (Unaudited)	As at December 31, 2021 (Audited)
Accounts payable associated with real estate business (1)	3,508,276	4,326,082
Asset purchase payable	433,000	433,000
Others	721,272	630,406
Total	4,662,548	5,389,488

(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.

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2022
(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

40. Bonds issued

Bond Type	Notes	As at June 30, 2022					As at
		Face Value	Currency	Term	Bond Rate/ Expected Return Rate	Book Value (Unaudited)	December 31, 2021 Book Value (Audited)
Asset-backed Securities		69,060,670	CNY	4 months-18 years	2.05%-5.19%	62,226,064	111,573,378
Financial Bonds		113,600,000	CNY	3-10 years	2.85%-5.50%	105,813,891	114,468,604
USD Guaranteed Senior Notes	(1)	12,865,000	USD	3-30 years	1.25%-5.625%	86,864,581	86,207,996
Corporate Bonds	(2)(3)(4)	22,375,000	CNY	2-8 years	3.18%-4.94%	22,742,868	19,671,934
Mid-term Notes	(5)	9,290,000	CNY	3-5 years	2.99%-5.10%	9,431,238	7,072,217
Tier-II Capital Bonds	(6)	8,000,000	CNY	5 years	4.50%	8,200,560	8,022,920
Subordinate Notes	(7)	700,000	USD	10 years	3.80%	4,692,094	4,456,972
Debt Financing Plans		2,588,000	CNY	3 years	3.50%-6.37%	2,634,237	2,603,851
Beneficiary Certificates		1,637,270	CNY	1 months-1 year	2.60%-4.00%	1,660,585	5,286,938
Subordinate Bonds	(8)	900,000	CNY	3 years	4.64%	940,730	2,681,478
Certificates of Deposit		11,810,000	CNY	3 months-1 year	1.90%-3.00%	11,711,420	4,235,122
Asset-backed Notes		-	N/A	N/A	N/A	-	751,434
Certificates of Deposit		-	N/A	N/A	N/A	-	765,619
HKD Bonds	(9)	10,000	HKD	9 years	4.00%	8,722	8,282
Total						316,926,990	367,806,745

- (1) China Cinda Financial Co., Ltd., a subsidiary of China Cinda (Hong Kong) Holdings Limited ("Cinda Hong Kong"), issued a total face value of USD12,865 million of Guaranteed Senior Notes (the "USD Notes") in Hong Kong in May 2014, December 2017, February 2019, January 2021, and January 2022. The USD Notes have fixed coupon rates, payable semi-annually. At any time prior to the date of maturity of the USD Notes, the issuer or Cinda Hong Kong may redeem the USD Notes, in whole or in part.
- (2) The Company's subsidiary, Cinda Investment Co., Ltd. ("Cinda Investment"), issued corporate bonds with a face value of RMB3,000 million and RMB2,000 million in December 2015 and January 2016, respectively. The bonds have fixed coupon rates, payable annually, with the issuer's option to adjust the coupon rate and the investor's option to sell back at the end of the fifth year. The issuer adjusted the coupon rate and the investors sold back part of the bonds in December 2020 and January 2021. Cinda Investment issued corporate bonds with a total face value of RMB6,375 million in May 2019 and August 2019. The bonds have fixed coupon rates, payable annually, with the issuer's option to adjust the coupon rate and the investor's option to sell back at the end of the third year. In May 2022, the issuer and the investors adjusted the coupon rate and sold back part of the bonds issued in May 2019.

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2022

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

40. Bonds issued (continued)

- (3) Cinda Real Estate Co., Ltd. ("Cinda Real Estate"), a subsidiary of Cinda Investment, issued Type I and II corporate bonds with total face value of RMB2,770 million in January 2021, the bonds have fixed coupon rates, payable annually. The face value of Type I is RMB1,720 million, with the issuer's option to adjust the coupon rate and the investor's option to sell back at the end of the second and the end of the fourth year. The face value of Type II is RMB1,050 million, with the issuer's option to adjust the coupon rate and the investor's option to sell back at the end of the third year. Cinda Real Estate issued Type I and II corporate bonds with total face value of RMB3,030 million in March of 2021, the bonds have fixed coupon rates, payable annually. The face value of Type I is RMB2,020 million, with the issuer's option to adjust the coupon rate and the investor's option to sell back at the end of the second and the end of the fourth year. The face value of Type II is RMB1,010 million, with the issuer's option to adjust the coupon rate and the investor's option to sell back at the end of the third year. Cinda Real Estate issued Type I and II corporate bonds with total face value of RMB1,200 million in May 2022, the bonds have fixed coupon rates, payable annually. The face value of Type I is RMB600 million, with the issuer's option to adjust the coupon rate and the investor's option to sell back at the end of the second year. The face value of Type II is RMB600 million, with the issuer's option to adjust the coupon rate and the investor's option to sell back at the end of the third year.
- (4) Well Kent International Enterprises (Shenzhen) Co., Ltd., a subsidiary of Cinda Hong Kong, issued a corporate bond with a total face value of RMB2,000 million in March 2020 and May 2020. The bond has fixed coupon rate, payable annually, with the issuer's option to adjust the coupon rate and the investor's option to sell back at the end of the third year. Well Kent International Enterprises (Shenzhen) Co., Ltd. issued a corporate bond with a total face value of RMB2,000 million in March 2022 and June 2022. The bond has fixed coupon rate, payable annually, with the issuer's option to adjust the coupon rate and the investor's option to sell back at the end of the third year.
- (5) The Cinda Investment issued a medium-term note with a face value of RMB2,000 million and RMB1,770 million in April 2020 and March 2022, respectively. The notes are with fixed coupon rate, payable annually, with the issuer's option to adjust the coupon rate and the investor's option to sell back at the end of the third year.
- (6) The tier-II capital bonds issued by the Company in the June 2016 and November 2020, with the total face value of RMB18,000 million. The bonds have a fixed coupon rate, payable annually and conditionally redeemable at the end of the fifth year. The issuer has the right to redeem the bond at par value in whole or in part subject to the approval of the China Banking and Insurance Regulatory Commission (the "CBIRC"). In June 2021, the issuer redeemed the tier-II capital bonds with a face value of RMB10,000 million issued in June 2016 with the approval of the CBIRC.
- (7) Nanyang Commercial Bank Limited, a subsidiary of Cinda Hong Kong, issued a subordinate notes in the November 2019 with the face value of HKD700 million, with fixed coupon rate, payable semi-annually. The coupon rate will be reset at the end of the fifth year.
- (8) The subordinate bonds issued by Cinda Securities Co., Ltd. ("Cinda Securities"), a subsidiary of the Company, have fixed coupon rate, payable annually.
- (9) Cinda International Holding Limited ("Cinda International"), a subsidiary of Cinda Securities, issued HKD bonds with a face value of HKD10 million in September 2013, with fixed coupon rates, payable annually, the issuer and investors have the option to defer at the end of the fifth year. In September 2018, the investor exercised the option to extend the maturity date by 24 months, and at the September 2020, the investors extended the bond maturity date to the September 2022.

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2022
(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

41. Contract liabilities

	As at June 30, 2022 (Unaudited)	As at December 31, 2021 (Audited)
Sales proceeds received in advance (1)	11,531,230	13,287,716
Others	299,076	393,657
Total	11,830,306	13,681,373

(1) Sales proceeds received in advance

	For the six months ended June 30, 2022 (Unaudited)	2021 (Unaudited)
At beginning of the period	13,287,716	14,725,445
Deferred during the period	5,266,119	12,585,092
Recognized as revenue during the period	(7,022,605)	(4,305,185)
At end of the period	11,531,230	23,005,352

As at June 30, 2022, all contract liabilities of the Group were held by Cinda Real Estate and Cinda Securities, the subsidiaries of the Company, and the contract liabilities were mainly sales proceeds received in advance by Cinda Real Estate.

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2022

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

42. Other liabilities

	As at June 30, 2022 (Unaudited)	As at December 31, 2021 (Audited)
Other payables	14,434,939	12,993,362
Staff costs payable	5,729,453	6,957,449
Risk deposit	5,563,759	4,968,365
Dividends payable	3,619,991	3,143
Payables to interest holders of consolidated structured entities (Note IV.26)	3,219,979	4,075,810
Receipts in advance associated with disposal of distressed assets	2,703,864	1,475,059
Sundry taxes payable	1,798,009	1,978,948
Lease liabilities	1,021,592	1,044,126
Notes payable	1,010,599	1,089,392
Items in the process of clearance and settlement	894,976	277,445
Provisions	776,290	828,759
Deferred income related to leasing business	731,261	631,529
Long-term payable	660,845	632,901
Receipts in advance	327,185	322,142
Others	640,709	651,740
Total	43,133,451	37,930,170

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2022
(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

43. Share capital

	For the six months ended June 30, 2022 (Unaudited)	For the year ended December 31, 2021 (Audited)
Authorized, issued and fully paid:		
At beginning of the period	38,164,535	38,164,535
Issue of shares	–	–
At end of the period	38,164,535	38,164,535

A summary of the movements of the Company's issued shares (in thousands of shares) during the six months ended June 30, 2022 and the year ended December 31, 2021 is as follows:

	2022 (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	13,567,603	–	–	13,567,603
Total	38,164,535	–	–	38,164,535

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2022

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

43. Share capital (continued)

	As at January 1	2021 (Audited)		As at December 31
		Issuance	Transfer	
Domestic shares				
– MOF	22,137,239	–	–	22,137,239
– NCSSF	2,459,693	–	–	2,459,693
H shares	13,567,603	–	–	13,567,603
Total	38,164,535	–	–	38,164,535

As at June 30, 2022 and December 31, 2021, there were no shares subject to the lock-up restriction of the Group.

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2022
(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

44. Other equity instruments

For the period ended June 30, 2022, the movements of the Company's other equity instruments were as follows:

	2022 (Unaudited)							
	As at January 1,		Increase		Decrease		As at June 30,	
	Quantity	Carrying	Quantity	Carrying	Quantity	Carrying	Quantity	Carrying
	(shares)	amount	(shares)	amount	(shares)	amount	(shares)	amount
	(In '000)	(In '000)	(In '000)	(In '000)	(In '000)	(In '000)	(In '000)	(In '000)
Preference Shares								
- 2021 Offshore Preference Shares	85,000	10,838,023	-	-	-	-	85,000	10,838,023
Undated Capital Bonds								
- 2021 Undated Capital Bonds	100,000	9,957,577	-	-	-	-	100,000	9,957,577
- 2022 Undated Capital Bonds (1)	-	-	120,000	11,952,342	-	-	120,000	11,952,342
Total	185,000	20,795,600	120,000	11,952,342	-	-	305,000	32,747,942

- (1) With the approvals of the relevant regulatory authorities in China, the Company issued RMB12 billion write-down undated capital bonds (the "Bonds") in the domestic market on February 24, 2022. The denomination of the Bonds is RMB100 each, and the annual coupon rate of the Bonds for the first five years is 4.33%, which is reset every 5 years. The issuer shall have a conditional redemption right on every dividend payment date from the fifth year onwards.

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2022

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

44. Other equity instruments (continued)

The duration of the above bonds is the same as the period of continuing operation of the Company. Subject to the satisfaction of the redemption conditions and having obtained the prior approval of the CBIRC, the Company may redeem the above bonds in whole or in part on each distribution payment date 5 years after the issuance date of the above bonds. Upon the occurrence of a trigger event for the write-downs, without the consent of the bondholders, the Company has the right to write down all or part of the above bonds issued and existing at that time in accordance with the total par value. The claims of the holders of the above bonds will be subordinated to the claims of general creditors and subordinated creditors; and shall rank in priority to the claims of shareholders and will rank pari passu with the claims under any other additional tier 1 capital instruments of the Company that rank pari passu with the above bonds.

The above bonds are paid with non-cumulative interest. The Company shall have the right to cancel distributions on the above bonds in whole or in part and such cancellation shall not constitute a default. The Company may at its discretion utilize the proceeds from the cancelled distributions to meet other obligations of maturing debts. But the Company shall not distribute profits to ordinary shareholders until the resumption of full interest payment.

Capital raised from the issuance of the above bonds, after deduction of transaction costs, was wholly used to replenish the Company's additional tier 1 capital.

45. Capital reserve

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

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2022
(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

46. Other comprehensive income

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

	For the six months ended June 30, 2022 (Unaudited)	For the year ended December 31, 2021 (Audited)
At beginning of the period/year	(1,372,178)	(1,237,414)
Items that may be reclassified subsequently to profit or loss:		
Fair value changes on debt instruments at fair value through other comprehensive income		
Fair value changes arising during the period	(1,342,951)	80,951
Amounts reclassified to profit or loss upon disposal	(158,952)	(152,545)
Amounts of profit or loss upon impairment	122,616	124,891
Income tax effect	235,872	(29,314)
	(1,143,415)	23,983
Exchange differences arising on translation of foreign operations	618,860	(292,290)
Share of other comprehensive income of associates and joint ventures	(21,008)	110,197
Income tax effect	4,829	(5,778)
	(540,734)	(163,888)
Items that will not be reclassified subsequently to profit or loss:		
Remeasurement of supplementary retirement benefits	-	3,259
Income tax effect	-	(538)
	-	2,721
Fair value changes on equity instruments designated as at fair value through other comprehensive income	(3,352,798)	239,041
Income tax effect	834,976	(60,626)
Share of other comprehensive income of associates and joint ventures	-	(163,860)
Income tax effect	-	11,848
	(2,517,822)	29,124
Other comprehensive income for the period/year	(3,058,556)	(134,764)
At end of the period/year	(4,430,734)	(1,372,178)

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2022

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

47. General reserve

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

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

For the six months ended June 30, 2022, the Group reversed RMB212.29 million from the general reserve pursuant to the regulatory requirements in the PRC (for the six months ended June 30, 2021, the Group transferred RMB714.79 million to the general reserve).

48. Cash and cash equivalents

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

	As at June 30, 2022 (Unaudited)	As at December 31, 2021 (Audited)
Cash	515,426	447,078
Balances with central banks	6,510,608	9,883,505
Deposits with banks and financial institutions	77,567,218	75,749,467
Placements with banks and financial institutions	21,315,883	21,899,666
Financial assets held under resale agreements	8,047,936	65,346,340
Cash and cash equivalents	113,957,071	173,326,056

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2022
(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

49. Contingent liabilities and commitments

(1) Legal proceedings

The Group is involved as a defendant in certain lawsuits arising from its normal business operations. As at June 30, 2022 and December 31, 2021, the total claim amounts of pending litigations for the Group were RMB3,206.14 million and RMB3,746.91 million, and provisions of RMB3.54 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.

(2) Credit commitments

	As at June 30, 2022 (Unaudited)	As at December 31, 2021 (Audited)
Bank bill acceptance	35,069,086	32,280,269
Loan commitments (i)	14,882,022	13,966,314
Letters of guarantee issued	8,258,623	6,605,675
Letters of credit issued	4,642,236	3,654,444
Undrawn credit card commitments	667,397	673,126
Others	10,004	5,240
Total	63,529,368	57,185,068
Impairment of credit commitments	(240,607)	(241,208)

These credit commitments mainly arise from the banking business of the Group.

- (i) Loan commitments represent undrawn loan facilities agreed and granted to customers. Unconditionally revocable loan commitments are not included in loan commitments. As at June 30, 2022, the unconditionally revocable loan commitments of the Group amounted to RMB97,761.10 million (December 31, 2021: RMB95,536.54 million).

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2022

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

49. Contingent liabilities and commitments (continued)

(3) Capital commitments

	As at June 30, 2022 (Unaudited)	As at December 31, 2021 (Audited)
Contracted but not provided for		
Commitment for the acquisition of properties under development	69,960	605,000
Commitments for the acquisition of property and equipment	92,259	951,074
Total	162,219	1,556,074

(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.

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2022
(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

50. Transfers of financial assets

(1) Repurchase agreements

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

	Carrying amount of pledged assets		Related liabilities	
	June 30 2022	December 31 2021	June 30 2022	December 31 2021
Financial assets at amortized cost	174,594	528,346	140,528	525,144
Financial assets at fair value through profit or loss	12,064,089	8,581,875	9,710,240	6,992,813
Financial assets at fair value through other comprehensive income	19,350,423	7,774,831	19,296,064	7,577,813
Total	31,589,106	16,885,052	29,146,832	15,095,770

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2022

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

50. Transfers of financial assets (continued)

(2) Asset-backed securities

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

With respect to the securitization of financial assets that do not qualify for derecognition, the relevant financial assets are not derecognized, and the consideration paid by third parties is recorded as a financial liability. As at June 30, 2022, the Group's carrying amount of transferred assets that did not qualify for derecognition was RMB59,868.81 million (December 31, 2021: RMB81,596.49 million), and the carrying amount of their associated liabilities was RMB53,583.53 million (December 31, 2021: RMB102,931.05 million).

With respect to the securitization of financial assets that qualified for derecognition, the Group derecognized the transferred financial assets in their entirety. The corresponding total carrying amount of asset-backed securities held by the Group in the securitization transactions was nil as at June 30, 2022 and December 31, 2021.

(3) Continuing involvement

For those in which the Group has neither transferred nor retained substantially all the risks and rewards of the financial assets transferred to third parties or to structured entities, and retained control of the financial assets, the transferred financial assets are recognized to the extent of the Group's continuing involvement. For the six months ended June 30, 2022 and June 30, 2021, the Group has not recognized any transferred financial assets in which the Group had continuing involvement. As at June 30, 2022, the carrying amount of continuing involvement assets recognized by the Group was RMB409.20 million (As at December 31, 2021: RMB409.20 million), which were recognized in other assets. As at June 30, 2022 and December 31, 2021, the carrying amount of continuing involvement liabilities was nil.

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2022
(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

51. Segment information

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

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

Distressed asset management operations

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

Financial services operations

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

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

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2022

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

51. Segment information (continued)

	(Unaudited)			
	Distressed asset management	Financial services	Elimination	Consolidated
For the six months ended June 30, 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)
Impairment losses on assets	(5,023,513)	(853,117)	–	(5,876,630)
Total	(29,693,852)	(8,081,565)	190,582	(37,584,835)

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2022
(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

51. Segment information (continued)

	(Unaudited)			Consolidated
	Distressed asset management	Financial services	Elimination	
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				4,980,449
Capital expenditure	43,781	1,022,097	-	1,065,878
As at June 30, 2022				
Segment assets	945,816,520	606,867,288	(19,875,861)	1,532,807,947
Including: Interests in associates and joint ventures	83,468,610	415,837	-	83,884,447
Unallocated assets				8,457,109
Total assets				1,541,265,056
Segment liabilities	818,792,048	530,196,460	(18,902,187)	1,330,086,321
Unallocated liabilities				3,304,806
Total liabilities				1,333,391,127

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2022

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

51. Segment information (continued)

	Distressed asset management	(Unaudited)		Consolidated
		Financial services	Elimination	
For the six months ended June 30, 2021				
Income from distressed debt assets at amortized cost	7,612,503	–	–	7,612,503
Fair value changes on distressed debt assets	8,272,908	–	–	8,272,908
Fair value changes on other financial instruments	4,492,795	240,022	37,818	4,770,635
Investment income	(75,383)	154,161	–	78,778
Interest income	5,078,447	7,036,879	(59,745)	12,055,581
Revenue from sales of inventories	4,534,356	–	–	4,534,356
Commission and fee income	222,320	2,420,306	(180,393)	2,462,233
Net gains on disposal of subsidiaries, associates and joint ventures	282,269	–	–	282,269
Other income and other net gains or losses	1,204,776	162,015	(34,490)	1,332,301
Total	31,624,991	10,013,383	(236,810)	41,401,564
Interest expense	(17,207,784)	(3,335,762)	181,128	(20,362,418)
Employee benefits	(1,627,460)	(1,506,508)	–	(3,133,968)
Purchases and changes in inventories	(3,841,255)	–	–	(3,841,255)
Commission and fee expense	(67,208)	(257,646)	28,525	(296,329)
Taxes and surcharges	(210,595)	(56,816)	–	(267,411)
Depreciation and amortization expenses	(596,865)	(457,857)	28,160	(1,026,562)
Other expenses	(926,762)	(577,708)	17,770	(1,486,700)
Impairment losses on assets	(2,094,101)	(1,075,243)	(10,038)	(3,179,382)
Total	(26,572,030)	(7,267,540)	245,545	(33,594,025)

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2022
(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

51. Segment information (continued)

	Distressed asset management	(Unaudited)		Consolidated
		Financial services	Elimination	
Change in net assets attributable to other holders of consolidated structured entities	19,052	(13,215)	–	5,837
Profit before share of results of associates and joint ventures and tax	5,072,013	2,732,628	8,735	7,813,376
Share of results of associates and joint ventures	1,915,032	19,315	–	1,934,347
Profit before tax	6,987,045	2,751,943	8,735	9,747,723
Income tax expense				(2,670,824)
Profit for the period				7,076,899
Capital expenditure	464,793	80,582	–	545,375
As at December 31, 2021 (Audited)				
Segment assets	997,493,419	577,357,965	(18,354,163)	1,556,497,221
Including: Interests in associates and joint ventures	79,411,690	421,448	–	79,833,138
Unallocated assets				7,782,053
Total assets				1,564,279,274
Segment liabilities	875,475,518	499,689,745	(16,457,733)	1,358,707,530
Unallocated liabilities				3,796,264
Total liabilities				1,362,503,794

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2022

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

52. Related party transactions

(1) The MOF

As at June 30, 2022, the MOF directly owned 58.00% (December 31, 2021: 58.00%) of the share capital of the Company.

The MOF is one of the ministries under the State Council, primarily responsible for state fiscal revenue and expenditures, and taxation policies. The entities controlled or regulated by the MOF are mainly financial institutions.

The Group had the following balances and entered into the following transactions with the MOF in its ordinary course of business.

The Group had the following balances with the MOF:

	As at June 30, 2022 (Unaudited)	As at December 31, 2021 (Audited)
Financial assets at fair value through other comprehensive income	30,731,488	26,835,306
Financial assets at fair value through profit or loss	300,537	282,524
Accounts receivable	1,597	1,597

The Group entered into the following transactions with the MOF:

	For the six months ended June 30, 2022 (Unaudited)	2021 (Unaudited)
Interest income	386,607	361,845
Investment income	23,612	13,563

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

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2022
(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

52. Related party transactions (continued)

(2) Subsidiaries

The Company had the following balances with its subsidiaries:

	As at June 30, 2022 (Unaudited)	As at December 31, 2021 (Audited)
Amounts due from subsidiaries	32,754,894	31,471,363
Financial assets at fair value through profit or loss	1,149,775	1,111,935
Lease liabilities	451,631	450,954
Right-of-use assets	429,203	430,066
Bonds issued	333,727	395,671
Other payables	144,761	137,773
Property and equipment	14,799	15,090

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

	For the six months ended June 30, 2022 (Unaudited)	2021 (Unaudited)
Interest income	327,540	229,010
Interest expense	71,748	134,608
Depreciation expenses of right-of-use assets	62,287	63,481
Dividend income	38,397	373,074
Fair value changes on other financial instruments	32,811	67,479
Other expenses	27,214	49,084
Rental income	10,101	10,553
Other income and other net gains or losses	1,845	1,990
Depreciation and amortization expenses	291	291
Commission and fee expense	28	17,702
Impairment losses on assets	–	27,212

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2022

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

52. Related party transactions (continued)

(3) Associates and joint ventures

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

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

	As at June 30, 2022 (Unaudited)	As at December 31, 2021 (Audited)
Loans and advances to customers	4,573,324	4,883,177
Other payables	527,191	104,504
Risk deposit	92,000	139,200
Dividend receivable	45,000	45,000
Other receivables	16,039	75,605
Deferred income related to leasing business	1,376	1,846
Accounts receivable	–	15,410

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

	For the six months ended June 30, 2022 (Unaudited)	2021 (Unaudited)
Interest income	251,882	224,278
Dividend received	1,138,400	166,024
Others	4,274	–

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2022
(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

52. Related party transactions (continued)

(4) Government-related entities

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

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

(5) Annuity scheme

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

	For the six months ended June 30,	
	2022 (Unaudited)	2021 (Unaudited)
Contribution to the annuity scheme	121,394	101,316

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2022

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

52. Related party transactions (continued)

(6) Key management remuneration

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

	For the six months ended June 30,	
	2022 (Unaudited)	2021 (Unaudited)
Emoluments of key management personnel	5,663	4,598

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

53. Financial risk management

The types of risk to which the Group is exposed include credit risk, market risk and liquidity risk. Market risk includes interest rate risk, foreign exchange risk and price risk. The Group’s primary objectives and policies of risk management and risk management framework are the same as those set out in the Group’s consolidated financial statements for the year ended December 31, 2021.

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2022
(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

53. Financial risk management (continued)

53.1 Credit risk

53.1.1 Credit risk management

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

The Group performed the assessment of expected credit losses with the reference to forward-looking information and used a number of models and assumptions in the measurement of expected credit losses. These models and assumptions related to the future macroeconomic situation and the credit status of the borrowers (for example, the possibility of default by the customers and the corresponding loss). The Group assessed the expected credit losses as at June 30, 2022 and comprehensively considered the impacts of current economic conditions and COVID-19 pandemic on expected credit losses, including performing forward-looking forecasts to key macroeconomic indicators and assessment of scenario weights.

As at June 30, 2022, the expected credit losses comprehensively reflected the Group's credit risk and the expectations for macroeconomic development of management.

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

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

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2022

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

53. Financial risk management (continued)

53.1 Credit risk (continued)

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

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

	As at June 30, 2022 (Unaudited)	As at December 31, 2021 (Audited)
On-balance sheet		
Balances with central banks	13,246,790	17,598,651
Deposits with banks and financial institutions	107,629,495	99,921,346
Deposits with exchanges and others	2,225,909	2,202,860
Placements with banks and financial institutions	34,759,104	25,045,776
Financial assets at fair value through profit or loss	119,902,384	126,388,199
Financial assets held under resale agreements	9,672,146	68,204,309
Financial assets at fair value through other comprehensive income	122,262,870	113,881,452
Financial assets at amortized cost	182,389,034	183,535,039
Loans and advances to customers	387,546,365	368,031,445
Accounts receivable	4,291,295	3,203,037
Other assets	12,421,758	13,250,145
Subtotal	996,347,150	1,021,262,259
Off-balance sheet		
Bank bill acceptance	35,069,086	32,280,269
Loan commitments	14,882,022	13,966,314
Letters of guarantee issued and other credit commitments	13,578,260	10,938,485
Subtotal	63,529,368	57,185,068
Total	1,059,876,518	1,078,447,327

IV. EXPLANATORY NOTES (continued)

53. Financial risk management (continued)

53.1 Credit risk (continued)

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

Among the distressed debt assets at fair value through profit or loss, the distressed assets contain certain elements of credit risk. The risks that such assets are exposed to are the same as those set out in the Group's consolidated financial statements for the year ended December 31, 2021. The carrying amount of distressed debt assets at fair value through profit or loss of the Group as at June 30, 2022 amounted to RMB210,004.04 million (December 31, 2021: RMB203,739.51 million).

The Group implements specific policies and credit enhancement practices to mitigate credit risk exposure to an acceptable level. The most typical practice is by obtaining guarantee deposits, collateral and/or guarantees. The amount and type of acceptable collateral are determined by credit risk evaluations of counterparties. The Group implements guidelines on the acceptability of specific classes of collateral and evaluation parameters. The main types of collateral obtained are land and properties or other assets of the borrowers. The Group monitors the market value of collateral periodically and requests for additional collateral in accordance with the underlying agreement when necessary.

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2022

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

53. Financial risk management (continued)

53.1 Credit risk (continued)

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

	As at June 30, 2022 (Unaudited)	As at December 31, 2021 (Audited)
Distressed debt assets	140,202,938	149,016,373
Loans and advances to customers	377,183,099	358,421,803
Subtotal	517,386,037	507,438,176
Allowance for impairment losses		
Distressed debt assets	(16,483,430)	(14,459,897)
Loans and advances to customers	(9,228,368)	(9,597,802)
Subtotal	(25,711,798)	(24,057,699)
Net carrying amounts		
Distressed debt assets	123,719,508	134,556,476
Loans and advances to customers	367,954,731	348,824,001
Total	491,674,239	483,380,477

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2022
(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

53. Financial risk management (continued)

53.1 Credit risk (continued)

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

By geographical area

Area	As at June 30, 2022 (Unaudited)		As at December 31, 2021 (Audited)	
	Gross amount	%	Gross amount	%
Overseas	175,022,432	33.9	165,249,526	32.7
Western Region	73,631,012	14.2	73,200,511	14.4
Bohai Rim	72,794,080	14.1	70,549,416	13.9
Central Region	69,332,628	13.4	74,155,442	14.6
Yangtze River Delta	64,179,649	12.4	64,648,405	12.7
Pearl River Delta	52,201,664	10.1	49,837,558	9.8
Northeastern Region	10,224,572	1.9	9,797,318	1.9
Total	517,386,037	100.0	507,438,176	100.0

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.

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2022

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

53. Financial risk management (continued)

53.1 Credit risk (continued)

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

By industry

Industry	As at June 30, 2022 (Unaudited)		As at December 31, 2021 (Audited)	
	Gross amount	%	Gross amount	%
Corporate business				
Real estate	136,618,591	26.4	142,199,829	28.0
Manufacturing	60,009,828	11.6	58,846,729	11.6
Leasing and commercial services	59,976,335	11.6	47,894,919	9.4
Finance	38,679,319	7.5	31,504,203	6.2
Construction	29,837,460	5.8	28,824,271	5.7
Production and supply of power, heat, gas and water	28,428,251	5.5	28,316,409	5.6
Mining	18,846,223	3.6	18,120,704	3.6
Wholesale and retail trade	18,183,865	3.5	19,370,631	3.8
Others	66,702,151	12.9	69,322,518	13.7
Subtotal	457,282,023	88.4	444,400,213	87.6
Personal business				
Mortgage	29,032,512	5.6	29,589,122	5.8
Personal consumption loans	21,897,375	4.2	22,087,382	4.4
Subtotal	50,929,887	9.8	51,676,504	10.2
Loans to margin clients	9,174,127	1.8	11,361,459	2.2
Total	517,386,037	100.0	507,438,176	100.0

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2022
(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

53. Financial risk management (continued)

53.1 Credit risk (continued)

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

By security type

	As at June 30, 2022 (Unaudited)		As at December 31, 2021 (Audited)	
	Gross amount	%	Gross amount	%
Unsecured	143,018,858	27.7	130,776,669	25.8
Guaranteed	79,279,902	15.3	72,478,980	14.3
Mortgaged	151,033,474	29.2	151,737,579	29.9
Pledged	144,053,803	27.8	152,444,948	30.0
Total	517,386,037	100.0	507,438,176	100.0

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

	Gross amount as at June 30, 2022 (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	1,867,772	10,756,617	5,100,229	190,632	17,915,250
Loans and advances to customers	1,951,196	1,901,806	3,328,720	754,694	7,936,416
Total	3,818,968	12,658,423	8,428,949	945,326	25,851,666

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2022

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

53. Financial risk management (continued)

53.1 Credit risk (continued)

53.1.4 Past due distressed debt assets and loans and advances to customers at amortized cost (continued)

	Gross amount as at December 31, 2021 (Audited)				Total
	Up to 90 days (Including 90 days)	91 to 360 days (Including 360 days)	361 days to 3 years (Including 3 years)	Over 3 years	
Distressed debt assets	1,736,708	13,876,149	4,609,986	324,460	20,547,303
Loans and advances to customers	1,308,845	2,406,338	2,689,727	738,468	7,143,378
Total	3,045,553	16,282,487	7,299,713	1,062,928	27,690,681

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

	As at June 30, 2022 (Unaudited)	As at December 31, 2021 (Audited)
Neither past due nor impaired	489,956,824	477,153,536
Past due but not impaired (1)	6,729,965	13,466,048
Impaired (2)	20,699,248	16,818,592
Subtotal	517,386,037	507,438,176
Allowance for impairment losses	(25,711,798)	(24,057,699)
Net carrying amount	491,674,239	483,380,477

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2022
(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

53. Financial risk management (continued)

53.1 Credit risk (continued)

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

(1) Past due but not impaired

	Gross amount as at June 30, 2022 (Unaudited)					Total
	Up to 90 days (Including 90 days)	91 to 360 days (Including 360 days)	361 days to 3 years (Including 3 years)	Over 3 years		
Distressed debt assets	1,647,132	4,357,947	–	–		6,005,079
Loans and advances to customers	724,886	–	–	–		724,886
Total	2,372,018	4,357,947	–	–		6,729,965

	Gross amount as at December 31, 2021 (Audited)					Total
	Up to 90 days (Including 90 days)	91 to 360 days (Including 360 days)	361 days to 3 years (Including 3 years)	Over 3 years		
Distressed debt assets	1,736,708	10,610,508	–	–		12,347,216
Loans and advances to customers	1,118,832	–	–	–		1,118,832
Total	2,855,540	10,610,508	–	–		13,466,048

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2022

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

53. Financial risk management (continued)

53.1 Credit risk (continued)

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

(2) Impaired

	As at June 30, 2022 (Unaudited)		
	Gross amount	Allowance for impairment losses	Net carrying amount
Distressed debt assets	13,047,331	(5,824,381)	7,222,950
Loans and advances to customers	7,651,917	(4,086,272)	3,565,645
Total	20,699,248	(9,910,653)	10,788,595

	As at December 31, 2021 (Audited)		
	Gross amount	Allowance for impairment losses	Net carrying amount
Distressed debt assets	8,883,797	(3,307,306)	5,576,491
Loans and advances to customers	7,934,795	(4,573,794)	3,361,001
Total	16,818,592	(7,881,100)	8,937,492

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2022
(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

53. Financial risk management (continued)

53.1 Credit risk (continued)

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

(2) Impaired (continued)

	As at June 30, 2022 (Unaudited)	As at December 31, 2021 (Audited)
Distressed debt assets		
Impaired	13,047,331	8,883,797
– Portion covered	12,442,373	7,980,820
– Portion not covered	604,958	902,977
Impaired as % of total distressed debt assets	9.3	6.0
Fair value of collateral	11,916,118	8,852,876
Loans and advances to customers		
Impaired	7,651,917	7,934,795
– Portion covered	7,095,558	7,116,758
– Portion not covered	556,359	818,037
Impaired as % of total loans and advances to customers	2.0	2.2
Fair value of collateral	7,276,606	8,224,448

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2022

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

53. Financial risk management (continued)

53.1 Credit risk (continued)

53.1.5 Credit quality of distressed 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 June 30, 2022 (Unaudited)		As at December 31, 2021 (Audited)	
	Gross amount	%	Gross amount	%
Distressed debt assets				
Bohai Rim	4,715,208	36.1	3,596,431	40.5
Pearl River Delta	3,007,613	23.1	346,006	3.9
Western Region	2,280,026	17.5	1,330,429	15.0
Yangtze River Delta	1,802,851	13.8	2,568,634	28.9
Central Region	890,289	6.8	321,390	3.6
Northeastern Region	351,344	2.7	720,907	8.1
Total	13,047,331	100.0	8,883,797	100.0
Loans and advances to customers				
Overseas	2,758,334	36.0	1,765,085	22.2
Pearl River Delta	1,229,662	16.1	1,227,407	15.5
Central Region	998,372	13.0	2,720,007	34.3
Bohai Rim	901,134	11.8	983,610	12.4
Western Region	792,046	10.4	125,188	1.6
Yangtze River Delta	567,095	7.4	708,886	8.9
Northeastern Region	405,274	5.3	404,612	5.1
Total	7,651,917	100.0	7,934,795	100.0

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2022
(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

53. Financial risk management (continued)

53.1 Credit risk (continued)

53.1.6 Credit quality of investment products

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

	As at June 30, 2022 (Unaudited)	As at December 31, 2021 (Audited)
Neither past due nor impaired (1)	288,731,643	279,779,670
Past due but not impaired (2)	8,529,538	6,622,496
Impaired (3)	5,848,614	4,819,741
Subtotal	303,109,795	291,221,907
Allowance for impairment losses	(2,217,168)	(1,889,911)
Net carrying amounts	300,892,627	289,331,996

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2022

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

53. Financial risk management (continued)

53.1 Credit risk (continued)

53.1.6 Credit quality of investment products (continued)

(1) Neither past due nor impaired

	As at June 30, 2022 (Unaudited)				As at December 31, 2021 (Audited)			
	Financial assets at fair value through profit or loss	Financial assets at amortized cost	Financial assets at fair value through other comprehensive income	Total	Financial assets at fair value through profit or loss	Financial assets at amortized cost	Financial assets at fair value through other comprehensive income	Total
Government bonds	8,454,431	356,691	54,975,360	63,786,482	7,272,155	578,502	42,670,135	50,520,792
Public sector and quasi-government bonds	–	–	3,118,605	3,118,605	–	–	3,734,687	3,734,687
Financial institution bonds	1,936,306	591,058	42,967,331	45,494,695	666,349	–	35,382,329	36,048,678
Corporate bonds	21,223,173	–	21,118,953	42,342,126	20,963,925	–	32,088,142	53,052,067
Trust products and rights to trust assets	16,433,820	23,237,910	–	39,671,730	16,426,941	22,159,575	–	38,586,516
Wealth management products	1,470,051	–	–	1,470,051	1,531,919	–	–	1,531,919
Asset management plans	1,908,612	–	–	1,908,612	1,314,448	–	–	1,314,448
Asset-backed securities	1,213,732	–	–	1,213,732	1,405,468	–	–	1,405,468
Derivative financial assets	1,746,725	–	–	1,746,725	881,373	–	–	881,373
Embedded derivatives debts	723,207	–	–	723,207	723,207	–	–	723,207
Debt investments	10,874,154	33,691,168	–	44,565,322	13,531,457	25,765,784	–	39,297,241
Mixed fund investments	39,678,328	–	–	39,678,328	47,168,621	–	–	47,168,621
Certificates of deposit	–	–	–	–	1,268,874	–	–	1,268,874
Others	3,012,028	–	–	3,012,028	4,245,779	–	–	4,245,779
Subtotal	108,674,567	57,876,827	122,180,249	288,731,643	117,400,516	48,503,861	113,875,293	279,779,670
Allowance for impairment losses	–	(1,141,190)	–	(1,141,190)	–	(1,050,378)	–	(1,050,378)
Total	108,674,567	56,735,637	122,180,249	287,590,453	117,400,516	47,453,483	113,875,293	278,729,292

As at June 30, 2022, the carrying amount of neither past due nor impaired investment products at fair value through other comprehensive income was RMB122,180.25 million, and the allowances of RMB120.50 million was recognized in other comprehensive income.

As at December 31, 2021, the carrying amount of neither past due nor impaired investment products at fair value through other comprehensive income was RMB113,875.29 million, and the allowances of RMB170.08 million was recognized in other comprehensive income.

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2022
(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

53. Financial risk management (continued)

53.1 Credit risk (continued)

53.1.6 Credit quality of investment products (continued)

(2) Past due but not impaired

As at June 30, 2022, the past due but not impaired investment products of the Group were financial assets at fair value through profit or loss. The carrying amount of investment products was RMB8,529.54 million.

As at December 31, 2021, the past due but not impaired investment products of the Group were financial assets at fair value through profit or loss. The carrying amount of investment products was RMB6,622.50 million.

(3) Impaired

As at June 30, 2022, the carrying amount of the impaired investment products at fair value through profit or loss was RMB2,698.28 million, and the fair value loss of RMB3,991.66 million was recognized. The carrying amount of the impaired investment products at fair value through other comprehensive income was RMB82.62 million, and the allowances of RMB243.27 million was recognized in other comprehensive income. The gross amount of the impaired other debt instruments at amortized cost was RMB3,067.71 million, and the allowances of RMB1,075.98 million was recognized.

As at December 31, 2021, the carrying amount of the impaired investment products at fair value through profit or loss was RMB2,365.18 million, and the fair value loss of RMB4,123.68 million was recognized. The carrying amount of the impaired investment products at fair value through other comprehensive income was RMB6.16 million, and the allowances of RMB176.23 million was recognized in other comprehensive income. The gross amount of the impaired other debt instruments at amortized cost was RMB2,448.40 million, and the allowances of RMB839.53 million was recognized.

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2022

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

53. Financial risk management (continued)

53.2 Market risk

Interest rate risk

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

	As at June 30, 2022 (Unaudited)						Total
	Less than 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Non-interest- bearing	
Cash and balances with central banks	8,451,624	-	-	-	-	5,310,592	13,762,216
Deposits with banks and financial institutions	102,048,873	1,100,777	213,833	-	-	4,266,012	107,629,495
Placements with banks and financial institutions	25,494,244	3,514,870	5,749,990	-	-	-	34,759,104
Deposits with exchanges and others	2,225,909	-	-	-	-	-	2,225,909
Financial assets at fair value through profit or loss	6,334,706	6,229,987	38,492,709	50,714,382	1,950,131	355,594,910	459,316,825
Financial assets at fair value through other comprehensive income	3,648,415	16,920,256	22,539,906	76,508,337	1,845,481	6,160,053	127,622,448
Loans and advances to customers	202,687,558	41,800,492	99,380,599	39,048,648	3,256,187	1,372,881	387,546,365
Financial assets at amortized cost	19,399,449	12,128,481	57,739,142	93,009,595	112,367	-	182,389,034
Accounts receivable	-	-	384,360	-	-	3,906,935	4,291,295
Financial assets held under resale agreements	8,583,747	298	288	992,424	-	95,389	9,672,146
Other financial assets	5,870	40,250	361,887	83,509	1,177	11,929,065	12,421,758
Total financial assets	378,880,395	81,735,411	224,862,714	260,356,895	7,165,343	388,635,837	1,341,636,595

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2022
(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

53. Financial risk management (continued)

53.2 Market risk (continued)

Interest rate risk (continued)

	As at June 30, 2022 (Unaudited)						Total
	Less than 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Non-interest- bearing	
Borrowings from the central bank	-	-	-	-	-	(986,058)	(986,058)
Accounts payable to brokerage clients	(13,947,824)	-	-	-	-	(6,272,210)	(20,220,034)
Due to customers	(139,970,129)	(61,976,281)	(78,041,883)	(10,181,906)	-	(14,084,653)	(304,254,852)
Deposits from banks and financial institutions	(2,237,194)	(2,021,515)	(9,757,007)	(4,366,673)	-	(140,013)	(18,522,402)
Placements from banks and financial institutions	(13,751,152)	(4,176,105)	(2,920,961)	-	-	(27,197)	(20,875,415)
Financial liabilities at fair value through profit or loss	(2,214,140)	(2,291,309)	(1,683,437)	-	-	(2,777,236)	(8,966,122)
Financial assets sold under repurchase agreements	(17,822,968)	(3,449,374)	(6,142,993)	-	-	(1,731,497)	(29,146,832)
Borrowings	(53,811,638)	(79,478,955)	(251,621,766)	(157,113,434)	(3,435,216)	(3,279,247)	(548,740,256)
Bonds issued	(9,532,820)	(25,496,420)	(40,913,229)	(153,008,745)	(83,604,555)	(4,371,221)	(316,926,990)
Accounts payable	-	-	-	-	-	(4,662,548)	(4,662,548)
Other financial liabilities	(26,537)	(68,805)	(154,664)	(1,121,337)	(123,077)	(28,214,825)	(29,709,245)
Total financial liabilities	(253,314,402)	(178,958,764)	(391,235,940)	(325,792,095)	(87,162,848)	(66,546,705)	(1,303,010,754)
Interest rate gap	125,565,993	(97,223,353)	(166,373,226)	(65,435,200)	(79,997,505)	322,089,132	38,625,841

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2022

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

53. Financial risk management (continued)

53.2 Market risk (continued)

Interest rate risk (continued)

	As at December 31, 2021						Total
	Less than 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Non-interest- bearing	
Cash and balances with central banks	12,821,447	-	-	-	-	5,224,282	18,045,729
Deposits with banks and financial institutions	87,517,422	6,572,272	708,662	1,082,780	-	4,040,210	99,921,346
Placements with banks and financial institutions	23,961,714	711,816	372,246	-	-	-	25,045,776
Deposits with exchanges and others	2,202,860	-	-	-	-	-	2,202,860
Financial assets at fair value through profit or loss	5,551,546	3,675,296	31,691,242	65,239,955	929,633	349,116,078	456,203,750
Financial assets at fair value through other comprehensive income	3,365,004	11,440,015	21,771,102	73,209,633	3,201,635	9,604,937	122,592,326
Loans and advances to customers	200,565,837	37,261,916	77,528,979	47,528,840	4,077,847	1,068,026	368,031,445
Financial assets at amortized cost	21,001,944	5,323,451	62,471,813	94,733,204	4,627	-	183,535,039
Accounts receivable	6,117	-	-	384,360	-	2,812,560	3,203,037
Financial assets held under resale agreements	66,930,216	519	98,321	967,196	-	208,057	68,204,309
Other financial assets	8,200	46,478	467,878	83,509	1,177	13,789,444	14,396,686
Total financial assets	423,932,307	65,031,763	195,110,243	283,229,477	8,214,919	385,863,594	1,361,382,303

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2022
(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

53. Financial risk management (continued)

53.2 Market risk (continued)

Interest rate risk (continued)

	As at December 31, 2021						Total
	(Audited)						
	Less than 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Non-interest- bearing	
Borrowings from the central bank	(9,906)	-	-	-	-	(986,137)	(996,043)
Accounts payable to brokerage clients	(13,554,645)	-	-	-	-	(4,050,944)	(17,605,589)
Due to customers	(146,482,331)	(62,980,906)	(67,263,603)	(8,806,363)	-	(13,214,916)	(298,748,119)
Deposits from banks and financial institutions	(3,213,824)	(4,956,816)	(7,029,594)	(4,550,000)	(50,000)	(176,672)	(19,976,906)
Placements from banks and financial institutions	(7,905,158)	(4,772,096)	(3,499,414)	-	-	(100,989)	(16,277,657)
Financial liabilities at fair value through profit or loss	(1,860,840)	(1,537,584)	(2,218,055)	-	-	(2,326,460)	(7,942,939)
Financial assets sold under repurchase agreements	(12,623,323)	(231,788)	(605,459)	-	-	(1,635,200)	(15,095,770)
Borrowings	(59,637,497)	(75,111,220)	(332,630,673)	(80,351,045)	(3,487,257)	(3,861,448)	(555,079,140)
Bonds issued	(11,193,846)	(36,703,542)	(71,617,075)	(130,303,501)	(113,365,421)	(4,623,360)	(367,806,745)
Accounts payable	-	-	-	-	-	(5,389,488)	(5,389,488)
Other financial liabilities	(57,845)	(164,253)	(1,092,676)	(995,957)	(157,652)	(22,882,129)	(25,350,512)
Total financial liabilities	(256,539,215)	(186,458,205)	(485,956,549)	(225,006,866)	(117,060,330)	(59,247,743)	(1,330,268,908)
Interest rate gap	167,393,092	(121,426,442)	(290,846,306)	58,222,611	(108,845,411)	326,615,851	31,113,395

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2022

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

53. Financial risk management (continued)

53.2 Market risk (continued)

Foreign exchange risk

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

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

The Group

	As at June 30, 2022 (Unaudited)	As at December 31, 2021 (Audited)
5% appreciation	684,175	231,897
5% depreciation	(684,175)	(231,897)

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.

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2022
(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

53. Financial risk management (continued)

53.2 Market risk (continued)

Group

	As at June 30, 2022		As at December 31, 2021	
	Profit before tax	Equity	Profit before tax	Equity
+1 percent	1,298,571	53,596	1,260,760	87,109
-1 percent	(1,298,571)	(53,596)	(1,260,760)	(87,109)

53.3 Liquidity risk

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

	As at June 30, 2022 (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	8,398,739	5,363,477	-	-	-	-	-	13,762,216
Deposits with banks and financial institutions	130	98,422,626	8,000,698	790,145	415,896	-	-	107,629,495
Placements with banks and financial institutions	-	-	25,494,244	2,607,567	6,657,293	-	-	34,759,104
Deposits with exchanges and others	2,225,909	-	-	-	-	-	-	2,225,909
Financial assets at fair value through profit or loss	340,278,923	10,201,564	6,222,260	6,766,343	40,423,699	53,442,179	1,981,857	459,316,825
Loans and advances to customers	5,866,417	23,916,172	17,104,484	22,072,344	93,397,406	174,072,698	51,116,844	387,546,365
Accounts receivable	1,125,542	2,055,730	166,251	21,147	590,826	331,799	-	4,291,295
Financial assets held under resale agreements	94,072	-	8,585,036	318	296	992,424	-	9,672,146
Financial assets at fair value through other comprehensive income	5,359,578	-	3,685,911	16,965,475	22,641,826	77,102,214	1,867,444	127,622,448
Financial assets at amortized cost	14,799,090	898,157	3,702,202	12,128,481	57,739,142	93,009,595	112,367	182,389,034
Other financial assets	5,326,626	5,493,253	693,929	42,420	363,247	501,106	1,177	12,421,758
Total financial assets	383,475,026	146,350,979	73,655,015	61,394,240	222,229,631	399,452,015	55,079,689	1,341,636,595

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2022

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

53. Financial risk management (continued)

53.3 Liquidity risk (continued)

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

	As at June 30, 2022							Total
	Past due/ undated	On demand	Less than 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	
Borrowings from the central bank	(986,058)	-	-	-	-	-	-	(986,058)
Accounts payable to brokerage clients	-	(4,337,242)	(15,882,792)	-	-	-	-	(20,220,034)
Due to customers	-	(110,177,839)	(40,351,830)	(62,913,305)	(80,629,971)	(10,181,907)	-	(304,254,852)
Deposits from banks and financial institutions	-	(1,257,221)	(1,091,908)	(1,847,901)	(9,958,699)	(4,366,673)	-	(18,522,402)
Placements from banks and financial institutions	-	(257,910)	(13,503,651)	(4,185,053)	(2,928,801)	-	-	(20,875,415)
Financial liabilities at fair value through profit or loss	-	(1,934,584)	(2,349,888)	(2,454,933)	(1,927,116)	(299,601)	-	(8,966,122)
Financial assets sold under repurchase agreements	-	(1,858,044)	(17,681,530)	(3,455,859)	(6,151,399)	-	-	(29,146,832)
Borrowings	-	(19,328,143)	(54,564,658)	(80,222,065)	(250,659,411)	(140,524,563)	(3,441,416)	(548,740,256)
Bonds issued	-	-	(9,664,853)	(25,781,856)	(41,277,396)	(155,340,741)	(84,862,144)	(316,926,990)
Accounts payable	(164,930)	(3,858,642)	(60,551)	(4,890)	(573,535)	-	-	(4,662,548)
Other financial liabilities	(2,923,234)	(19,081,656)	(344,437)	(160,500)	(1,008,418)	(5,909,027)	(281,973)	(29,709,245)
Total financial liabilities	(4,074,222)	(162,091,281)	(155,496,098)	(181,026,362)	(395,114,746)	(316,622,512)	(88,585,533)	(1,303,010,754)
Net position	379,400,804	(15,740,302)	(81,841,083)	(119,632,122)	(172,885,115)	82,829,503	(33,505,844)	38,625,841

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2022
(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

53. Financial risk management (continued)

53.3 Liquidity risk (continued)

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

	As at December 31, 2021 (Audited)							Total
	Past due/ undated	On demand	Less than 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	
Cash and balances with central banks	12,819,026	5,226,703	-	-	-	-	-	18,045,729
Deposits with banks and financial institutions	166	83,409,052	8,148,414	6,572,272	708,662	1,082,780	-	99,921,346
Placements with banks and financial institutions	-	-	23,961,714	711,816	372,246	-	-	25,045,776
Deposits with exchanges and others	2,202,860	-	-	-	-	-	-	2,202,860
Financial assets at fair value through profit or loss	332,450,748	11,916,996	1,642,046	3,760,282	36,868,191	68,381,605	1,183,882	456,203,750
Loans and advances to customers	4,035,082	23,164,999	8,979,954	22,453,908	91,570,522	164,022,853	53,804,127	368,031,445
Accounts receivable	1,084,428	1,622,480	25,715	9,113	76,941	384,360	-	3,203,037
Financial assets held under resale agreements	144,481	-	66,986,252	519	98,321	974,736	-	68,204,309
Financial assets at fair value through other comprehensive income	8,710,874	-	3,382,581	11,509,519	21,869,300	73,882,191	3,237,861	122,592,326
Financial assets at amortized cost	17,655,551	823,507	2,522,886	5,323,451	62,471,813	94,733,204	4,627	183,535,039
Other financial assets	7,469,920	5,574,056	312,847	54,619	468,530	515,537	1,177	14,396,686
Total financial assets	386,573,136	131,737,793	115,962,409	50,395,499	214,504,526	403,977,266	58,231,674	1,361,382,303

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2022

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

53. Financial risk management (continued)

53.3 Liquidity risk (continued)

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

	As at December 31, 2021							Total
	Past due/ undated	On demand	Less than 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	
Borrowings from the central bank	(986,058)	–	(9,985)	–	–	–	–	(996,043)
Accounts payable to brokerage clients	–	(3,774,243)	(13,831,346)	–	–	–	–	(17,605,589)
Due to customers	–	(99,961,724)	(46,448,271)	(63,512,459)	(76,154,939)	(12,670,726)	–	(298,748,119)
Deposits from banks and financial institutions	–	(1,209,262)	(2,017,948)	(4,984,955)	(7,081,331)	(4,633,403)	(50,007)	(19,976,906)
Placements from banks and financial institutions	–	(81,718)	(7,916,085)	(4,781,436)	(3,498,418)	–	–	(16,277,657)
Financial liabilities at fair value through profit or loss	–	(1,734,386)	(1,912,162)	(1,653,838)	(2,302,451)	(337,671)	(2,431)	(7,942,939)
Financial assets sold under repurchase agreements	–	(1,810,304)	(12,448,219)	(231,788)	(605,459)	–	–	(15,095,770)
Borrowings	–	(18,472,658)	(41,528,123)	(76,048,867)	(334,838,041)	(80,697,481)	(3,493,970)	(555,079,140)
Bonds issued	–	–	(11,353,270)	(36,962,260)	(72,001,909)	(131,360,919)	(116,128,387)	(367,806,745)
Accounts payable	(146,146)	(4,627,410)	(78,094)	–	(536,077)	(1,761)	–	(5,389,488)
Other financial liabilities	(817,980)	(14,121,204)	(533,494)	(640,068)	(1,973,114)	(6,738,542)	(526,110)	(25,350,512)
Total financial liabilities	(1,950,184)	(145,792,909)	(138,076,997)	(188,815,671)	(498,991,739)	(236,440,503)	(120,200,905)	(1,330,268,908)
Net position	384,622,952	(14,055,116)	(22,114,588)	(138,420,172)	(284,487,213)	167,536,763	(61,969,231)	31,113,395

IV. EXPLANATORY NOTES (continued)

53. Financial risk management (continued)

53.4 Risk management of distressed assets

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

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

The types of risk, their risk management procedures, fair value measurement techniques and impairment assessment are similar to those described in the consolidated financial statements for the year ended December 31, 2021.

53.5 Capital management

The Group's objectives on capital management are as follows:

- Ensure compliance with regulatory requirements;
- Optimize capital allocation among the group entities;
- Improve efficiency of capital employment;
- Safeguard the Group's ability to continue as a going concern to support the Group's development.

In accordance with the requirements of Consolidated Supervision Guidelines on Financial Asset Management Companies (Provisional) (Yinjianfa [2011] No. 20), issued by the CBIRC in 2011, the Group manages its capital based on the required minimum capital. Compliance with the requirement of minimum capital is the primary goal of capital management of the Group.

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

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2022

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

53. Financial risk management (continued)

53.5 Capital management (continued)

In accordance with the requirements of Off-site Supervision Reporting Index System on Financial Asset Management Companies (Yinjianbanfa [2016] No. 38), issued by the CBIRC in 2016, the Company is required to maintain a minimum core Tier I, common Tier I and Tier II Capital Adequacy Ratio (“CAR”) at 9%, 10% and 12.5% respectively. CAR is calculated by dividing the corresponding qualified capital of the Company by its risk-weighted assets. As at June 30, 2022 and December 31, 2021, the Company complied with the regulatory requirements on the minimum CAR.

54. Fair values of financial instruments

Assets and liabilities measured at fair value are classified into the following three levels based on the degree of fair value observability:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: Valuation techniques using inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (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.

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2022
(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

54. Fair values of financial instruments (continued)

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

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

	As at June 30, 2022 (Unaudited)	
	Carrying amount	Fair value
Financial assets		
Financial assets at amortized cost		
– Distressed debt assets	123,661,661	118,954,149
– Other debt investments	58,727,373	58,548,075
Accounts receivable	4,291,295	4,286,067
Total	186,680,329	181,788,291
Financial liabilities		
Borrowings	(548,740,256)	(548,595,201)
Bonds issued	(316,926,990)	(324,293,595)
Total	(865,667,246)	(872,888,796)

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2022

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

54. Fair values of financial instruments (continued)

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

	As at December 31, 2021 (Audited)	
	Carrying amount	Fair value
Financial assets		
Financial assets at amortized cost		
– Distressed debt assets	134,472,694	131,167,056
– Other debt investments	49,062,345	48,823,405
Accounts receivable	3,203,037	3,182,168
Total	186,738,076	183,172,629
Financial liabilities		
Borrowings	(555,079,140)	(555,566,731)
Bonds issued	(367,806,745)	(371,701,027)
Total	(922,885,885)	(927,267,758)

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2022
(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

54. Fair values of financial instruments (continued)

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

	As at June 30, 2022			
	(Unaudited) Level 1	(Unaudited) Level 2	(Unaudited) Level 3	(Unaudited) Total
Financial assets				
Financial assets at amortized cost				
– Distressed debt assets	–	–	118,954,149	118,954,149
– Other debt investments	152,924	–	58,395,151	58,548,075
Accounts receivable	–	–	4,286,067	4,286,067
Total	152,924	–	181,635,367	181,788,291
Financial liabilities				
Borrowings	–	–	(548,595,201)	(548,595,201)
Bonds issued	–	(204,670,321)	(119,623,274)	(324,293,595)
Total	–	(204,670,321)	(668,218,475)	(872,888,796)

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2022

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

54. Fair values of financial instruments (continued)

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

	As at December 31, 2021			
	(Audited)	(Audited)	(Audited)	(Audited)
	Level 1	Level 2	Level 3	Total
Financial assets				
Financial assets at amortized cost				
– Distressed debt assets	–	–	131,167,056	131,167,056
– Other debt investments	578,502	–	48,244,903	48,823,405
Accounts receivable	–	–	3,182,168	3,182,168
Total	578,502	–	182,594,127	183,172,629
Financial liabilities				
Borrowings	–	–	(555,566,731)	(555,566,731)
Bonds issued	–	(263,397,801)	(108,303,226)	(371,701,027)
Total	–	(263,397,801)	(663,869,957)	(927,267,758)

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.

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2022
(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

54. Fair values of financial instruments (continued)

54.2 Fair values of financial assets and financial liabilities that are measured at fair value on a recurring basis

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of the reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined, 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 June 30, 2022 (Unaudited)	As at December 31, 2021 (Audited)				
1) Financial assets classified as at fair value through profit or loss	459,316,825	456,203,750				
Debt securities	31,623,215	28,911,734				
– Traded in stock exchanges	2,912,925	2,387,026	Level 1	• Quoted bid prices in an active market.	N/A	N/A
	4,128,709	4,579,956	Level 2	• Quoted market prices from dealers or independent pricing service vendors.	N/A	N/A
	–	500	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	–	19,803	Level 1	• Quoted bid prices in an active market.	N/A	N/A
	14,719,865	11,886,817	Level 2	• Quoted market prices from dealers or independent pricing service vendors.	N/A	N/A
	9,305	9,305	Level 3	• Default rates of recovery.	• Expected recoverable amounts.	• The higher the expected recoverable amounts, the higher the fair value.
– Traded over the counter	7,823,510	8,035,647	Level 2	• Quoted market prices from dealers or independent pricing service vendors.	N/A	N/A

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2022

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

54. Fair values of financial instruments (continued)

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

Financial assets/financial liabilities	Fair value		Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
	As at June 30, 2022 (Unaudited)	As at December 31, 2021 (Audited)				
- Traded in inactive markets	2,028,901	1,992,680	Level 3	<ul style="list-style-type: none"> Discounted cash flows for the debt component and binomial option pricing model for the option component. Future cash flows are estimated based on contractual amounts and coupon rates discounted at a rate that reflects the credit risk of the counterparty. 	<ul style="list-style-type: none"> Discount rates that correspond to the expected risk level. 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	19,023,331	19,169,262				
Unrestricted listed equity investments	17,878,318	18,627,063				
- Manufacturing	6,699,950	6,356,638	Level 1	• Quoted bid prices in an active market.	N/A	N/A
- Financial services	847,171	812,674	Level 1	• Quoted bid prices in an active market.	N/A	N/A
- Leasing and commercial services	148	133	Level 1	• Quoted bid prices in an active market.	N/A	N/A
- Mining	3,547,798	4,710,760	Level 1	• Quoted bid prices in an active market.	N/A	N/A
- Transportation, warehousing and postal services	1,391,077	1,122,715	Level 1	• Quoted bid prices in an active market.	N/A	N/A
- Information transmission, software and information technology services	839,688	971,010	Level 1	• Quoted bid prices in an active market.	N/A	N/A

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2022
(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

54. Fair values of financial instruments (continued)

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

Financial assets/financial liabilities	Fair value		Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
	As at June 30, 2022 (Unaudited)	As at December 31, 2021 (Audited)				
– Culture, sports and entertainment	254,320	301,588	Level 1	• Quoted bid prices in an active market.	N/A	N/A
– Scientific research, technical services and geological prospecting industry	–	13,398	Level 1	• Quoted bid prices in an active market.	N/A	N/A
– Health and social security industry	148,592	200,054	Level 1	• Quoted bid prices in an active market.	N/A	N/A
– Real estate	80,802	123,106	Level 1	• Quoted bid prices in an active market.	N/A	N/A
– Production and supply of electricity, gas and water	873,541	805,382	Level 1	• Quoted bid prices in an active market.	N/A	N/A
– Medicine manufacturing industry	2,265,426	2,509,408	Level 1	• Quoted bid prices in an active market.	N/A	N/A
– Others	929,805	700,197	Level 1	• Quoted bid prices in an active market.	N/A	N/A
Restricted listed equity investments	1,145,013	542,199	Level 3	• Option pricing model.	• Stock volatility.	• The lower the stock volatility, the higher the fair value.
– Manufacturing	998,965	393,037				
– Others	146,048	149,162				

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2022

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

54. Fair values of financial instruments (continued)

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

Financial assets/financial liabilities	Fair value		Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
	As at June 30, 2022 (Unaudited)	As at December 31, 2021 (Audited)				
Equity investments in unlisted companies	52,743,351	51,174,895				
	50,427,761	48,873,460	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.
	2,315,590	2,301,435	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 more the future cash flow, the higher the fair value. The lower the discount rate, the higher the fair value.
Mutual funds	96,009,112	99,009,229				
– Mutual funds with open or active quotations	7,176,507	9,498,936	Level 1	<ul style="list-style-type: none"> Quoted bid prices in an active market. 	N/A	N/A
	1,370,613	1,412,949	Level 2	<ul style="list-style-type: none"> Quoted market prices from dealers or independent pricing service vendors. 	N/A	N/A

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2022
(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

54. Fair values of financial instruments (continued)

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

Financial assets/financial liabilities	Fair value		Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
	As at June 30, 2022 (Unaudited)	As at December 31, 2021 (Audited)				
- Investing in debt instruments	30,312,841	30,029,498	Level 3	<ul style="list-style-type: none"> Discounted cash flow with future cash flow that are estimated based on expected recoverable amounts, discounted at rates that reflect management's best estimation of the expected risk level. 	<ul style="list-style-type: none"> Expected future cash flow. Expected recovery date. Discount rates that correspond to the expected risk level. 	<ul style="list-style-type: none"> The more the future cash flow, the higher the fair value. The earlier the recovery date, the higher the fair value. The lower the discount rates, the higher the fair value.
- Investing in unrestricted listed equity	605,068	515,626	Level 1	<ul style="list-style-type: none"> Quoted bid prices in an active market. 	N/A	N/A
- Investing in restricted listed equity	213,491	296,840	Level 3	<ul style="list-style-type: none"> Option Pricing Model. 	<ul style="list-style-type: none"> Stock volatility. 	<ul style="list-style-type: none"> The lower the stock volatility, the higher the fair value.
- Investing in other equity instruments	56,330,592	57,255,380	Level 3	<ul style="list-style-type: none"> Comparable listed company method, comparable transaction cases, etc. 	<ul style="list-style-type: none"> Market multiplier. Discount for lack of marketability (DLOM). 	<ul style="list-style-type: none"> The higher the market multiplier, the higher the fair value. The lower the DLOM, the higher the fair value.

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2022

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

54. Fair values of financial instruments (continued)

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

Financial assets/financial liabilities	Fair value		Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
	As at June 30, 2022 (Unaudited)	As at December 31, 2021 (Audited)				
Debt instruments	18,863,005	22,393,054				
– Other debt instruments	18,139,798	21,669,847	Level 3	<ul style="list-style-type: none"> Discounted cash flows with future cash flows that are estimated based on expected recoverable amounts, discounted at rates that reflect management's best estimation of the expected risk level. 	<ul style="list-style-type: none"> Expected recoverable amounts. Expected recovery date. 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.
– Embedded derivative debts	723,207	723,207	Level 3	<ul style="list-style-type: none"> Discounted cash flows for the debt component and binomial option pricing model for the option component. 	<ul style="list-style-type: none"> 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.

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2022
(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

54. Fair values of financial instruments (continued)

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

Financial assets/financial liabilities	Fair value		Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
	As at June 30, 2022 (Unaudited)	As at December 31, 2021 (Audited)				
Derivative financial assets	1,950,704	1,087,428				
	-	217,111	Level 1	• Quoted bid prices in an active market.	N/A	N/A
	1,746,725	664,262	Level 2	• Valuation techniques based on market data including interest rate and foreign exchange rates.	N/A	N/A
	203,979	206,055	Level 3	• Discounted cash flows with future cash flows that are estimated based on expected recoverable amounts, discounted at rates that reflect management's best estimation of the expected risk level.(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.

- (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.

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2022

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

54. Fair values of financial instruments (continued)

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

Financial assets/financial liabilities	Fair value		Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
	As at June 30, 2022 (Unaudited)	As at December 31, 2021 (Audited)				
Certificates of deposit	-	1,268,874	Level 2	<ul style="list-style-type: none"> Quoted market prices from dealers or independent pricing service vendors. 	N/A	N/A
Distressed debt assets	210,004,037	203,739,505	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.
Wealth management products	1,470,051	1,531,919	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 more the future cash flows, the higher the fair value. The earlier the recovery date, the higher the fair value. The lower the discount rate, the higher the fair value.

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2022
(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

54. Fair values of financial instruments (continued)

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

Financial assets/financial liabilities	Fair value		Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
	As at June 30, 2022 (Unaudited)	As at December 31, 2021 (Audited)				
Assets management plans	2,007,436	2,219,147				
– Investing in the portfolio with open or active quotations	1,369,853	661,889	Level 2	<ul style="list-style-type: none"> Quoted market prices from dealers or independent pricing service vendors. 	N/A	N/A
– Investing in debt instruments	98,824	89,905	Level 3	<ul style="list-style-type: none"> Discounted cash flows with future cash flows that are estimated based on expected recoverable amounts, discounted at rates that reflect management's best estimation of the expected risk level. 	<ul style="list-style-type: none"> Expected future cash flows. Expected recovery date. Discount rates that correspond to the expected risk level. 	<ul style="list-style-type: none"> The higher the future cash 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	538,759	1,467,353	Level 3	<ul style="list-style-type: none"> Comparable listed company method, comparable transaction cases, etc. 	<ul style="list-style-type: none"> Market multiplier. Discount for lack of marketability (DLOM). 	<ul style="list-style-type: none"> The higher the market multiplier, the higher the fair value. The lower the DLOM, the higher the fair value.

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2022

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

54. Fair values of financial instruments (continued)

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

Financial assets/financial liabilities	Fair value		Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
	As at June 30, 2022 (Unaudited)	As at December 31, 2021 (Audited)				
Asset-backed securities	1,213,732	1,405,468				
	863,075	964,266	Level 1	• Quoted bid prices in an active market.	N/A	N/A
	350,657	441,202	Level 3	• Discounted cash flows with future cash flows that are estimated based on expected recoverable amounts, discounted at rates that reflect management's best estimation of the expected risk level.	<ul style="list-style-type: none"> • Expected future cash flows. • Expected recovery date. • Discount rates that correspond to the expected risk level. 	<ul style="list-style-type: none"> • The higher the future cash 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	24,106,361	23,957,448				
– Investing in the portfolio with open or active market quotations	976,954	852,270	Level 2	• Quoted market prices from dealers or independent pricing service vendors.	N/A	N/A
– Investing in debt instruments	17,578,489	15,711,897	Level 3	• Discounted cash flows with future cash flows that are estimated based on expected recoverable amounts, discounted at rates that reflect management's best estimation of the expected risk level.	<ul style="list-style-type: none"> • Expected future cash flows. • Expected recovery date. • Discount rates that correspond to the expected risk level. 	<ul style="list-style-type: none"> • The higher the future cash flows, the higher the fair value. • The earlier the recovery date, the higher the fair value. • The lower the discount rate, the higher the fair value.

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2022
(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

54. Fair values of financial instruments (continued)

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

Financial assets/financial liabilities	Fair value		Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
	As at June 30, 2022 (Unaudited)	As at December 31, 2021 (Audited)				
- Investing in equity instruments	5,550,918	7,393,281	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.
Others	302,490	335,787				
- Investing in debt instruments	302,490	335,787	Level 3	<ul style="list-style-type: none"> Discounted cash flows with future cash flows that are estimated based on expected recoverable amounts, discounted at rates that reflect management's best estimation of the expected risk level. 	<ul style="list-style-type: none"> Expected future cash flows. Expected recovery date. Discount rates that correspond to the expected risk level. 	<ul style="list-style-type: none"> The higher the future cash flows, the higher the fair value. The earlier the recovery date, the higher the fair value. The lower the discount rate, the higher the fair value.

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2022

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

54. Fair values of financial instruments (continued)

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

Financial assets/financial liabilities	Fair value		Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
	As at June 30, 2022 (Unaudited)	As at December 31, 2021 (Audited)				
2) Loans and advances to customers at fair value through profit or loss						
– Loans and advances	19,591,634	19,207,444	Level 3	<ul style="list-style-type: none"> Discounted cash flows with future cash flows that are estimated based on expected recoverable amounts, discounted at rates that reflect management's best estimation of the expected risk level. 	<ul style="list-style-type: none"> Expected recoverable amounts. Expected recovery date. Discount rates that correspond to the expected risk level. 	<ul style="list-style-type: none"> The higher the recoverable amounts, the higher the fair value. The earlier the recovery date, the higher the fair value. The lower the discount rates, the higher the fair value.
3) Financial assets at fair value through other comprehensive income	127,622,448	122,592,326				
Debt investments at fair value through other comprehensive income	122,262,870	113,881,452				
Debt securities	122,262,870	113,881,452				
– Traded on stock exchanges	12,663,161	19,046,705	Level 1	<ul style="list-style-type: none"> Quoted bid prices in an active market. 	N/A	N/A
– Traded in inter-bank markets	22,922,328	25,215,949	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	86,677,381	69,618,798				

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2022
(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

54. Fair values of financial instruments (continued)

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

Financial assets/financial liabilities	Fair value		Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
	As at June 30, 2022 (Unaudited)	As at December 31, 2021 (Audited)				
Equity instruments designated as at fair value through other comprehensive income	5,359,578	8,710,874				
Unrestricted listed equity investments	3,240,426	3,685,875				
– Manufacturing	3,240,426	3,685,875	Level 1	• Quoted bid prices in an active market.	N/A	N/A
Restricted listed equity investments	2,089,719	4,984,174				
– Financial service	2,089,719	4,984,174	Level 3	• Option pricing model.	• Stock volatility.	• The lower the stock volatility, the higher the fair value.
Unlisted equity instruments	29,433	40,825				
– Financial service	29,433	40,825	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	(8,966,122)	(7,942,939)	Level 2	• Calculated based on the quoted prices of similar assets traded in an active market.	N/A	N/A

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2022

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

54. Fair values of financial instruments (continued)

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

Financial assets/financial liabilities	Fair value		Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
	As at June 30, 2022 (Unaudited)	As at December 31, 2021 (Audited)				
- Short positions in exchange fund bills and notes	(7,307,961)	(6,903,073)				
- OTC derivative financial liabilities	(966,826)	(668,546)				
- Financing payables linked to stock index	(691,335)	(371,320)				

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2022
(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

54. Fair values of financial instruments (continued)

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

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

	As at June 30, 2022 (Unaudited)			Total
	Level 1	Level 2	Level 3	
Financial assets at fair value through profit or loss	29,435,893	32,136,229	397,744,703	459,316,825
Loans and advances to customers	–	–	19,591,634	19,591,634
Financial assets at fair value through other comprehensive income	15,903,587	109,599,709	2,119,152	127,622,448
Total assets	45,339,480	141,735,938	419,455,489	606,530,907
Financial liabilities at fair value through profit or loss	–	(8,966,122)	–	(8,966,122)
Total liabilities	–	(8,966,122)	–	(8,966,122)

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2022

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

54. Fair values of financial instruments (continued)

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

	As at December 31, 2021			Total
	Level 1	Level 2	Level 3	
Financial assets at fair value through profit or loss	32,229,831	29,362,664	394,611,255	456,203,750
Loans and advances to customers	–	–	19,207,444	19,207,444
Financial assets at fair value through other comprehensive income	22,732,580	94,834,747	5,024,999	122,592,326
Total assets	54,962,411	124,197,411	418,843,698	598,003,520
Financial liabilities at fair value through profit or loss	–	(7,942,939)	–	(7,942,939)
Total liabilities	–	(7,942,939)	–	(7,942,939)

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2022
(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

54. Fair values of financial instruments (continued)

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

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

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

54.3 Reconciliation of Level 3 fair value measurements

	(Unaudited)		
	Financial assets at FVTPL	Financial assets at FVOCI	Financial liabilities at FVTPL
As at January 1, 2022	394,611,255	5,024,999	–
Recognized in profit or loss	3,261,225	–	–
Recognized in other comprehensive income	–	(2,905,847)	–
Purchases	44,785,803	–	–
Settlements/disposals at cost	(43,958,545)	–	–
Transfer out from Level 3	(955,035)	–	–
As at June 30, 2022	397,744,703	2,119,152	–
Unrealized gains or losses for the period included in profit or loss for assets/ liabilities held as at June 30, 2022	1,194,805	–	–

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2022

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

54. Fair values of financial instruments (continued)

54.3 Reconciliation of Level 3 fair value measurements (continued)

	(Audited)		
	Financial assets at FVTPL	Financial assets at FVOCI	Financial liabilities at FVTPL
As at January 1, 2021	404,837,178	4,473,085	–
Recognized in profit or loss	5,159,170	–	–
Recognized in other comprehensive income	–	237,789	–
Purchases	85,465,363	4,000,000	–
Settlements/disposals at cost	(94,736,665)	–	–
Transfer in Level 3	9,305	–	–
Transfer out from Level 3	(6,123,096)	(3,685,875)	–
As at December 31, 2021	394,611,255	5,024,999	–
Unrealized gains or losses for the year included in profit or loss for assets/liabilities held at the end of the year	(4,198,589)	–	–

During the six months ended June 30, 2022 and the year ended December 31, 2021, certain restricted equity investments became tradable and quoted prices were available in active markets, these equity investments were transferred from Level 3 to Level 1 of the fair value hierarchy at the reporting period.

Total gains or losses for the six months ended June 30, 2022 and the year ended December 31, 2021 included in the statement of profit or loss as well as total gains or losses included in the statement of profit or loss relating to financial instruments held as at June 30, 2022 and December 31, 2021 are presented in “fair value changes on distressed debt assets”, “fair value changes on other financial assets”, “impairment losses on assets” depending on the nature or category of the related financial instruments.

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2022
(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

55. Acquisition of subsidiaries

For the six months ended June 30, 2022, the Group had no acquisition of subsidiaries.

56. Disposal of subsidiaries

During the period, the Group disposed of some of its subsidiaries. None of these disposals were individually significant and their aggregated information is set out below:

Consideration received:

	Period ended June 30, 2022
Consideration received	460,402

Analysis of assets and liabilities of the subsidiaries disposed of:

	As at the date of disposal
Total assets	7,762,330
Total liabilities	(7,848,961)

Net cash flows arising on disposal:

	Period ended June 30, 2022
Cash consideration received	–
Less: Cash and cash equivalent balances disposed of	297,317
Net cash flows	(297,317)

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2022

(Amounts in thousands of RMB, unless otherwise stated)

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 August 16, 2022. The aggregate interest distribution amounted to RMB440 million.

The meeting of the Board of Directors approved the resolution on the dividend allocation of Offshore Preference Shares on August 29, 2022, allowing the Company to distribute dividends of Offshore Preference Shares on November 3, 2022, at the rate of 4.40% per annum (after tax). The aggregate dividend distribution amounted to USD74.8 million (after tax).

VI. APPROVAL OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The interim condensed consolidated financial statements have been approved by the Board of Directors of the Company on August 29, 2022.



China Cinda Asset Management Co., Ltd.
Address: No. 1 Building, 9 Naoshikou Street, Xicheng District, Beijing
Postal code: 100031
Tel. No.: 86-10-63080000
Fax No.: 86-10-83329210
Website: www.cinda.com.cn