



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: 04607

2021 Interim Report



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Definitions

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

(our) Company	China Cinda Asset Management Co., Ltd.
(our) Group	China Cinda Asset Management Co., Ltd. and its subsidiaries
Articles	the current articles of association of China Cinda Asset Management Co., Ltd.
CBIRC	China Banking and Insurance Regulatory Commission
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
First State Cinda Fund	First State Cinda Fund Management Co., Ltd., a subsidiary of the Company
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	NCB Hong Kong and its subsidiaries
NCB China	Nanyang Commercial Bank (China) Limited, a company established in the PRC and a wholly-owned subsidiary of NCB Hong Kong
NCB Hong Kong	Nanyang Commercial Bank, Limited, a company incorporated in Hong Kong and a licensed bank in Hong Kong, a subsidiary of the Company
Offshore Preference Shares	160,000,000 non-cumulative perpetual preference shares with a par value of RMB100 per share non-publicly issued by the Company in the offshore market on September 30, 2016, which are listed and traded on the Hong Kong Stock Exchange (stock code: 04607)
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, 2021
RMB	Renminbi
Zhongrun Development	Zhongrun Economic Development Co., Ltd., a subsidiary of the Company

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 Zi'ai
Authorized representatives	Zhang Zi'ai, 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
Stock Short Name of H Shares	China Cinda
Stock Code of H Shares	01359
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
Place of listing of Offshore Preference Shares	The Stock Exchange of Hong Kong Limited
Stock Short Name of Offshore Preference Shares	CINDA 16USDPREF
Stock Code of Offshore Preference Shares	04607
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 Hogan Lovells
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. Since January 1, 2018, the Group has adopted IFRS 9 – Financial Instruments, and the differences arising from the adoption of IFRS 9 were directly reflected in shareholders’ equity on January 1, 2018. For 2018 and the subsequent years and periods, the financial data was prepared according to IFRS 9, while the data of prior years before 2018 was prepared according to the International Accounting Standard 39 – Financial Instruments.

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, the first half of 2020 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. For the six months ended June 30, 2021, the Group had 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,			
	2021	2020	2020	2019	2018	2017
	(in millions of RMB)					
Continuing operations						
Income from distressed debt assets at amortized cost	7,612.5	9,105.6	19,150.7	16,403.6	19,308.3	-
Income from distressed debt assets classified as receivables	-	-	-	-	-	17,773.0
Fair value changes on distressed debt assets	8,272.9	7,474.2	12,547.0	13,645.3	11,451.5	8,266.4
Fair value changes on other financial instruments	4,770.6	2,343.6	12,566.5	14,840.1	16,085.0	2,582.2
Investment income	78.8	317.5	322.5	464.5	152.9	29,465.7
Net insurance premiums earned	-	-	-	-	-	19,266.9
Interest income	12,055.6	12,013.8	23,899.2	25,401.6	25,005.7	20,640.8
Revenue from sales of inventories	4,534.4	9,659.2	24,316.3	18,169.4	17,446.4	14,425.5
Other income and other net gains or losses	4,076.8	4,906.0	7,331.8	7,222.4	8,653.6	7,614.0
Total income	41,401.6	45,819.9	100,134.0	96,146.9	98,103.4	120,034.6
Impairment losses on assets	(3,179.4)	(4,598.6)	(14,096.8)	(8,924.2)	(8,156.2)	(11,404.7)
Insurance costs	-	-	-	-	-	(20,913.7)
Interest expense	(20,362.4)	(19,922.1)	(39,618.5)	(44,366.6)	(46,286.5)	(35,911.1)
Purchases and changes in inventories	(3,841.3)	(6,366.2)	(17,360.4)	(12,868.8)	(11,382.2)	(10,355.8)
Other costs and expenses	(6,210.9)	(5,249.8)	(12,984.0)	(12,398.2)	(11,549.3)	(15,651.5)
Total costs and expenses	(33,594.0)	(36,136.7)	(84,059.7)	(78,557.8)	(77,374.2)	(94,236.7)
Change in net assets attributable to other holders						
of consolidated structured entities	5.8	(20.1)	(17.8)	(237.5)	(519.8)	(1,284.7)
Share of results of associates and joint ventures	1,934.3	1,050.1	252.7	1,920.8	2,488.4	1,617.7
Profit before tax from continuing operations	9,747.7	10,713.1	16,309.3	19,272.4	22,697.8	26,130.8
Income tax expense	(2,670.8)	(3,636.2)	(5,324.0)	(5,754.6)	(6,951.9)	(7,373.0)
Profit for the period/year from continuing operations	7,076.9	7,077.0	10,985.2	13,517.8	15,745.9	18,757.8
Discontinued operation						
Profit/(loss) after tax for the period/year from a discontinued operation	-	268.7	3,752.0	1,500.4	(3,866.0)	-
Profit for the period/year	7,076.9	7,345.6	14,737.3	15,018.2	11,879.9	18,757.8
Profit attributable to:						
– Equity holders of the Company	6,687.4	6,340.7	13,247.9	13,052.9	12,036.1	18,122.4
– Non-controlling interests	389.5	1,004.9	1,489.4	1,965.3	(156.2)	635.4

2 Financial Summary

	As at and for the six months ended June 30,		As at and for the year ended December 31,			
	2021	2020	2020	2019	2018	2017
	(in millions of RMB)					
Assets						
Cash and balances with central banks	13,493.4	17,495.5	15,375.0	19,002.1	16,651.9	21,511.1
Deposits with banks and financial institutions	108,232.4	75,596.8	87,953.6	70,837.6	80,102.6	54,429.2
Financial assets at fair value through profit or loss	453,928.9	411,852.2	446,916.7	412,164.6	428,791.0	213,795.9
Available-for-sale financial assets	-	-	-	-	-	273,182.7
Financial assets at fair value through other comprehensive income	120,099.4	120,610.9	123,728.5	136,803.0	116,827.6	-
Loans and advances to customers	366,580.1	349,918.1	353,456.3	337,859.1	336,616.5	312,117.5
Financial assets at amortized cost	209,936.2	235,538.7	220,233.0	227,645.1	252,416.7	-
Financial assets classified as receivables	-	-	-	-	-	234,226.9
Assets held for sale	-	61,391.8	-	61,394.2	-	-
Other assets	331,973.0	259,413.5	270,420.5	247,524.3	264,352.9	277,674.2
Total assets	1,604,243.4	1,531,817.5	1,518,083.6	1,513,230.0	1,495,759.2	1,386,937.5
Liabilities						
Borrowings from the central bank	1,025.9	993.9	986.1	1,010.9	986.1	986.1
Accounts payable to brokerage clients	16,489.5	16,785.2	16,583.8	14,320.3	10,315.8	12,393.8
Due to customers	296,068.6	284,411.4	273,644.2	275,205.8	254,099.9	226,220.8
Borrowings	579,614.7	534,565.0	556,912.1	536,591.3	570,870.2	580,352.1
Accounts payable	5,039.7	3,809.2	4,886.7	5,050.8	5,303.8	3,220.9
Bonds issued	380,668.5	336,872.1	355,777.5	304,849.6	283,115.1	206,482.6
Liabilities held for sale	-	55,743.5	-	57,924.1	-	-
Other liabilities	129,501.8	106,462.8	114,250.8	129,866.7	192,499.8	189,016.6
Total liabilities	1,408,408.7	1,339,643.1	1,323,041.2	1,324,819.5	1,317,190.7	1,218,672.9
Equity						
Equity attributable to equity holders of the Company	172,822.4	167,200.0	172,108.7	164,898.1	156,492.8	149,394.5
Non-controlling interests	23,012.2	24,974.4	22,933.7	23,512.3	22,075.6	18,870.2
Total equity	195,834.7	192,174.3	195,042.4	188,410.5	178,568.5	168,264.7
Total equity and liabilities	1,604,243.4	1,531,817.5	1,518,083.6	1,513,230.0	1,495,759.2	1,386,937.5

2 Financial Summary

	As at and for the					
	six months ended June 30,		As at and for the year ended December 31,			
	2021	2020	2020	2019	2018	2017
	(in millions of RMB)					
Financial indicators						
Return on average shareholders' equity ⁽¹⁾⁽³⁾ (%)	7.49	8.76	8.26	8.56	8.32	13.88
Return on average assets ⁽²⁾⁽³⁾ (%)	0.91	0.96	0.97	1.00	0.82	1.46
Cost-to-income ratio ⁽⁴⁾ (%)	33.41	25.71	25.46	30.68	30.51	24.89
Earnings per share ⁽⁵⁾ (RMB)	0.15	0.17	0.32	0.31	0.29	0.45
Net assets per share ⁽⁶⁾ (RMB)	3.97	3.82	3.95	3.76	3.54	3.36

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 insurance costs, 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 2021, the world economy has experienced sound recovery as a whole, but with significant differences. The control and vaccination against COVID-19 remain the major factors affecting economic recovery. The massive stimulus policies of major developed economies have resulted a significant spill-over effect. Global debt levels remain high, financial asset bubbles are swelling, commodity prices are rising rapidly, and inflationary pressure is rising. The global industrial and supply chains still need to be repaired.

In the first half of 2021, China's economy showed strong resilience, with its GDP growing by 12.7% year on year and 5.3% on a two-year average basis. Thanks to effective Pandemic control and accelerated vaccination, the economic activities in China have resumed to normal. Production demand has continued to improve, foreign trade has maintained rapid growth, corporate profits have improved significantly, emerging drivers of growth have continued to expand, and positive progress has been made in areas such as new urbanization, green and low carbon, and the digital economy.

By understanding new development stage, applying new development philosophy and creating new development paradigm, the Chinese government has carried out Pandemic prevention and control, and implemented macro policies precisely to maintain its continuity, consistency and sustainability without sharp turns, to keep the economy operating within a reasonable range and reaching a higher level of balance in recovery. A proactive fiscal policy has been implemented in a precise manner, in order to ensure the basic living needs, wages, and normal functioning of primary level governments, and leverage its role in improving the economic structure. The government has kept its prudent monetary policy flexible, targeted, reasonable and appropriate to maintain a proper and adequate liquidity. Policy instruments that can directly stimulate the real economy were further implemented to keep the macro leverage ratio stable. Market-oriented reform of interest rates and exchange rates was further promoted, with the aims to lower comprehensive financing costs, and keep the RMB exchange rate basically stable at an appropriate and balanced level. Support on key areas, such as small and micro businesses, private enterprises, manufacturing, scientific and technological innovation, green development, and coordinated regional development was strengthened through improving loan structure. Supply-side structural reform of the financial sector was deepened, which guided financial institutions to return to their functions, stay committed to their orientation, constantly strengthen corporate governance, and raise their professional level. The government stuck to forestalling and defusing risks in key areas, resolutely curbed the bubbling and excessive financialization of real estate, closely guarded against the resurgence of shadow banking, strengthened supervision over financial activities of platform enterprises, and resolutely prevented the transmission of individual risks to the whole society.

3 Management Discussion and Analysis

In order to implement the principles of the 19th National Congress of CPC and the second, third, fourth and fifth plenary sessions of the 19th CPC Central Committee, the regulatory authorities has, taking risk prevention as the eternal theme, and adhering to the principle of making responding actions of risks ahead of the market curve, improved the financial risk disposal mechanism. As a result, the financial risks have shown a convergent trend. These actions include: Firstly, to actively respond to the rebound of distressed assets and dispose of high-risk financial institutions in a prudent and orderly manner. The regulatory authorities urged banking institutions to properly classify their assets and increase provisions, allowed trust companies and AMCs corporate to dispose of risk assets, and encouraged financial institutions to speed up their disposal of distressed assets. As a result, a number of urban and rural commercial banks have made positive progress in reducing risks, and certain high-risk trust institutions have been properly disposed of. Secondly, to guide non-bank financial institutions to stick to their main business and conduct steady and compliant operations. AMCs are required to highlight their core business and give full play to the core function of disposal of distressed assets, strengthen the construction of internal control and compliance management, consolidate and expand the results of chaos rectification, and lay a solid foundation for robust and compliant operation. On the whole, the competition in the traditional distressed asset market has intensified. At the same time, the exploration of new business forms and models for distressed assets has been accelerated, and the main players of the industry have promoted sustainable development focusing on sound operation and compliance as well as transformation and innovation.

3.2 Analysis of Financial Statements

3.2.1 Operating Results of the Group

In the first half of 2021, although the Chinese economic development gradually returned to normal, there were more complexities in the distressed assets industry with a greater diversified market structure. In the face of greater internal and external pressures and challenges, the Group continued to implement the high-quality development ideas of “professional operation, efficiency first and value creation”, focused on its main responsibilities and main businesses to maintain strategic determination, achieving steady growth in operating results.

In the first half of 2021, the net profit attributable to equity holders of the Company amounted to RMB6,687.4 million, representing an increase of RMB346.7 million, or 5.5% year-on-year. Annualized ROAE and annualized ROAA were 7.49% and 0.91%, respectively.

3 Management Discussion and Analysis

	For the six months ended June 30,			
	2021	2020	Change	Change in percentage
	(in millions of RMB)			(%)
Continuing operations				
Income from distressed debt assets				
at amortized cost	7,612.5	9,105.6	(1,493.1)	(16.4)
Fair value changes on distressed debt assets	8,272.9	7,474.2	798.7	10.7
Fair value changes on other financial instruments	4,770.6	2,343.6	2,427.0	103.6
Investment income	78.8	317.5	(238.7)	(75.2)
Interest income	12,055.6	12,013.8	41.8	0.3
Revenue from sales of inventories	4,534.4	9,659.2	(5,124.8)	(53.1)
Commission and fee income	2,462.2	2,096.4	365.8	17.4
Net gains on disposal of subsidiaries, associates and joint ventures	282.3	1,197.2	(914.9)	(76.4)
Other income and other net gains or losses	1,332.3	1,612.5	(280.2)	(17.4)
Total income	41,401.6	45,819.9	(4,418.3)	(9.6)
Commission and fee expense	(296.3)	(296.8)	0.5	(0.2)
Purchases and changes in inventories	(3,841.3)	(6,366.2)	2,524.9	(39.7)
Employee benefits	(3,134.0)	(2,532.6)	(601.4)	23.7
Impairment losses on assets	(3,179.4)	(4,598.6)	1,419.2	(30.9)
Interest expense	(20,362.4)	(19,922.1)	(440.3)	2.2
Other expenses	(2,780.7)	(2,420.5)	(360.2)	14.9
Total costs and expenses	(33,594.0)	(36,136.7)	2,542.7	(7.0)
Change in net assets attributable to other holders of consolidated structured entities	5.8	(20.1)	25.9	128.9
Share of results of associates and joint ventures	1,934.3	1,050.1	884.2	84.2
Profit before tax from continuing operations	9,747.7	10,713.1	(965.4)	(9.0)
Income tax expense	(2,670.8)	(3,636.2)	965.4	(26.5)
Profit for the period from continuing operations	7,076.9	7,077.0	(0.1)	(0.0)
Discontinued operation				
Profit after tax for the period from a discontinued operation	–	268.7	(268.7)	(100.0)
Profit for the period	7,076.9	7,345.6	(268.7)	(3.7)
Profit attributable to:				
– Equity holders of the Company	6,687.4	6,340.7	346.7	5.5
– Non-controlling interests	389.5	1,004.9	(615.4)	(61.2)

3.2.1.1 Total Income from Continuing Operations

In the first half of 2021, the total income from continuing operations of the Group recorded a decrease as compared with the same period of last year, decreasing from RMB45,819.9 million in the first half of 2020 to RMB41,401.6 million in the first half of 2021, with a decrease of 9.6%, mainly because the revenue from sales of inventories and the income from distressed debt assets at amortized cost decreased compared with the same period of last year, which was partly offset by the increase of the fair value changes on other financial instruments.

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 16.4% from RMB9,105.6 million in the first half of 2020 to RMB7,612.5 million in the first half of 2021. Such income from distressed debt assets accounted for 19.9% and 18.4% of the total income from continuing operations 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 and the rate of return on the restructured distressed debt assets of the Company.

In the first half of 2021, the monthly average balance of distressed debt assets at amortized cost amounted to RMB188,557.5 million (the first half of 2020: RMB197,675.2 million). The annualized monthly average return of such distressed debt assets (excluding disposal gains or losses of impaired assets) decreased from 9.2% in the first half of 2020 to 7.6% in the first half of 2021, mainly due to the corresponding decrease in the rate of return on certain restructured distressed assets as affected by the overall market interest rate declines.

Fair Value Changes on Distressed Debt Assets

The fair value changes on distressed debt assets of the Group increased by 10.7% from RMB7,474.2 million in the first half of 2020 to RMB8,272.9 million in the first half of 2021. The fair value changes on acquisition-operation distressed debt assets increased by 8.4% from RMB6,288.8 million in the first half of 2020 to RMB6,817.1 million in the first half of 2021, accounting for 13.7% and 16.5% of the total income from continuing operations 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,			
	2021	2020	Change	Change in percentage
	(in millions of RMB)			(%)
Realized fair value changes	6,099.2	4,771.1	1,328.1	27.8
Unrealized fair value changes	717.9	1,517.7	(799.8)	(52.7)
Subtotal	6,817.1	6,288.8	528.3	8.4

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, 2019	197,621.3
Acquisition in the period	12,808.0
Disposal in the period	(19,353.6)
Unrealized fair value changes	1,517.7
As at June 30, 2020	192,593.4
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

In the first half of 2021, the fair value changes on acquisition-operation distressed debt assets of the Group increased by 8.4% over the same period of 2020. In particular, the realized fair value changes increased by 27.8% from RMB4,771.1 million in the first half of 2020 to RMB6,099.2 million in the first half of 2021; the unrealized fair value changes decreased by 52.7% from RMB1,517.7 million in the first half of 2020 to RMB717.9 million in the first half of 2021.

3 Management Discussion and Analysis

In the first half of 2021, the acquisition – operation business recorded improvement in both acquisition and disposal as compared with the same period of last year, increased from RMB12,808.0 million and RMB19,353.6 million in the first half of 2020 to RMB21,751.1 million and RMB20,373.7 million in the first half of 2021, respectively, as the Company focused on the distressed asset market to maintain the dominant position of core business, by innovating disposal methods and accelerating asset turnover.

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 classified as at fair value through profit or loss (excluding the distressed debt assets at fair value through profit or loss), and the realized and unrealized fair value changes on loans and advances to customers at fair value through profit or loss, as well as on financial liabilities at fair value through profit or loss.

The fair value changes on other financial instruments of the Group increased by 103.6% from RMB2,343.6 million in the first half of 2020 to RMB4,770.6 million in the first half of 2021, accounting for 5.1% and 11.5% of the total income from continuing operations for the respective periods. Of which, the fair value changes on DES Assets were RMB984.3 million and RMB722.4 million, respectively, accounting for 2.1% and 1.7% of the total income from continuing operations for the respective periods.

3 Management Discussion and Analysis

The table below sets out the components of fair value changes on financial instruments at fair value through profit or loss (excluding distressed debt assets at fair value through profit or loss) of the Group for the periods indicated.

	For the six months ended June 30,			
	2021	2020	Change	Change in percentage
	(in millions of RMB)			(%)
Fair value changes on financial instruments at fair value through profit or loss	8.0	(1,712.0)	1,720.0	(100.5)
DES Assets of the Company ⁽¹⁾	485.4	780.1	(294.7)	(37.8)
Others	(477.4)	(2,492.1)	2,014.7	(80.8)
Interest income	1,724.6	1,721.5	3.1	0.2
Dividend income	3,038.0	2,334.1	703.9	30.2
DES Assets of the Company	237.0	204.2	32.8	16.1
Others	2,801.0	2,129.9	671.1	31.5
Total	4,770.6	2,343.6	2,427.0	103.6

Note:

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

The gains on fair value changes on DES Assets at fair value through profit or loss decreased by 37.8% from RMB780.1 million in the first half of 2020 to RMB485.4 million in the first half of 2021, mainly due to the decrease in gains on the disposal of DES assets as compared with the same period of last year.

The losses on fair value changes on other financial assets at fair value through profit or loss decreased by 80.8% from RMB2,492.1 million in the first half of 2020 to RMB477.4 million in the first half of 2021, mainly due to the better domestic economic situation in the first half of 2021, the valuation of the Group's certain investment projects increased as compared with the same period of the previous year.

Investment Income

In the first half of 2021, the investment income of the Group was RMB78.8 million, representing a decrease of 75.2% from RMB317.5 million in the first half of 2020, mainly due to the decrease in the investment 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,			
	2021	2020	Change	Change in percentage
	(in millions of RMB)			(%)
Loans and advances to customers	8,161.7	8,276.8	(115.1)	(1.4)
Other debt investment at amortized cost	1,233.7	1,079.6	154.1	14.3
Financial assets at fair value through other comprehensive income	1,145.3	1,477.7	(332.4)	(22.5)
Interest income from financial assets held under resale agreements	668.1	111.1	557.0	501.4
Deposits with banks and financial institutions	632.5	735.8	(103.3)	(14.0)
Others	214.3	332.8	(118.5)	(35.6)
Total	12,055.6	12,013.8	41.8	0.3

The interest income of the Group in the first half of 2021 increased by 0.3% compared with the same period of last year, mainly due to the increase in interest income from financial assets held under resale agreements, partly offset by the decrease in interest income from financial assets at fair value through other comprehensive income.

- (1) The interest income from financial assets held under resale agreements increased by 501.4% from RMB111.1 million in the first half of 2020 to RMB668.1 million in the first half of 2021, mainly due to the increase of the financial assets held under resale agreements of the Company.
- (2) The interest income from financial assets at fair value through other comprehensive income decreased by 22.5% from RMB1,477.7 million in the first half of 2020 to RMB1,145.3 million in the first half of 2021, mainly due to the decrease in the interest income of debt investment as affected by the market interest rate downward and the decrease in debt investment scale.

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,			
	2021	2020	Change	Change in percentage
	(in millions of RMB)			(%)
Securities and futures brokerage	632.3	550.9	81.4	14.8
Fund and asset management business	469.9	353.6	116.3	32.9
Agency business	414.8	322.2	92.6	28.7
Banking business	387.1	461.4	(74.3)	(16.1)
Trustee services	205.1	167.9	37.2	22.2
Consultancy and financial advisory services	123.2	80.2	43.0	53.6
Securities underwriting	81.8	122.7	(40.9)	(33.3)
Others	148.1	37.4	110.7	296.0
Total	2,462.2	2,096.4	365.8	17.4

The commission and fee income of the Group increased by 17.4% from RMB2,096.4 million in the first half of 2020 to RMB2,462.2 million in the first half of 2021, mainly due to the increase in the commission and fee income from fund and asset management business, agency business and other business of Cinda Securities, of which:

- (1) the commission and fee income from fund and asset management business increased by 32.9% from RMB353.6 million in the first half of 2020 to RMB469.9 million in the first half of 2021.
- (2) the commission and fee income from agency business increased by 28.7% from RMB322.2 million in the first half of 2020 to RMB414.8 million in the first half of 2021.
- (3) the commission and fee income from other business increased by 296.0% from RMB37.4 million in the first half of 2020 to RMB148.1 million in the first half of 2021.

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,			
	2021	2020	Change	Change in percentage
	(in millions of RMB)			(%)
Revenue from sales of inventories	4,534.4	9,659.2	(5,124.8)	(53.1)
Purchases and changes in inventories	(3,841.3)	(6,366.2)	2,524.9	(39.7)
Including:				
Revenue from sales of properties held for sale	4,277.6	9,564.8	(5,287.2)	(55.3)
Purchases and changes in properties held for sale	(3,594.8)	(6,275.4)	2,680.6	(42.7)
Gross profit from sales of properties held for sale	682.7	3,289.4	(2,606.7)	(79.2)
Gross profit margin from sales of properties held for sale (%)	16.0	34.4	(18.4)	(53.6)

The revenue from sales of inventories of the Group decreased by 53.1% from RMB9,659.2 million in the first half of 2020 to RMB4,534.4 million in the first half of 2021, the purchases and changes in inventories decreased by 39.7% from RMB6,366.2 million in the first half of 2020 to RMB3,841.3 million in the first half of 2021, mainly due to the decrease in the project delivery scale of Cinda Real Estate in the first half of 2021 compared with the same period of last year, resulting in decrease of revenue from sales of properties held for sale and purchases and changes in properties held for sale. The gross profit margin from sales of properties held for sale decreased from 34.4% in the first half of 2020 to 16.0% in the first half of 2021, mainly due to the decrease in gross profit margin as a result of the regulatory policies such as price restriction on certain projects completed by Cinda Real Estate in the first half of 2021.

Net Gains on Disposal of Subsidiaries, Associates and Joint Ventures

The net gains on disposal of subsidiaries, associates and joint ventures of the Group decreased by 76.4% from RMB1,197.2 million in the first half of 2020 to RMB282.3 million in the first half of 2021, mainly because the Company achieved a significant gain in the proceeds from disposal of associates in the first half of 2020.

3 Management Discussion and Analysis

Other Income and Other Net Gains or Losses

Other income and other net gains or losses of the Group decreased by 17.4% from RMB1,612.5 million in the first half of 2020 to RMB1,332.3 million in the first half of 2021, mainly due to the changes in foreign exchange gains or losses, partly offset by the increase in the revenue from liquidated damages and hotel operation, of which:

- (1) the foreign exchange gains or losses changed from a gain of RMB700.7 million in the first half of 2020 to a loss of RMB365.5 million in the first half of 2021, mainly due to the exchange rate fluctuations of the USD and HKD.
- (2) the revenue from liquidated damages increased by 249.5% from RMB161.5 million in the first half of 2020 to RMB564.5 million in the first half of 2021.
- (3) the revenue from hotel operation increased by 233.9% from RMB61.7 million in the first half of 2020 to RMB206.0 million in the first half of 2021, mainly due to the revenue growth in hotel business of the subsidiaries driven by the gradual economic recovery in the first half of 2021.

3.2.1.2 Total Costs and Expenses from Continuing Operations

In the first half of 2021, total costs and expenses from continuing operations of the Group decreased compared with the same period of last year.

The table below sets out the components of the total costs and expenses from continuing operations of the Group for the periods indicated.

	For the six months ended June 30,			
	2021	2020	Change	Change in percentage
	(in millions of RMB)			
				(%)
Interest expense	(20,362.4)	(19,922.1)	(440.3)	2.2
Purchases and changes in inventories	(3,841.3)	(6,366.2)	2,524.9	(39.7)
Impairment losses on assets	(3,179.4)	(4,598.6)	1,419.2	(30.9)
Employee benefits	(3,134.0)	(2,532.6)	(601.4)	23.7
Business depreciation and amortization	(1,026.6)	(1,000.7)	(25.9)	2.6
Commission and fee expense	(296.3)	(296.8)	0.5	(0.2)
Tax and surcharges	(267.4)	(245.7)	(21.7)	8.8
Other expenses	(1,486.7)	(1,174.1)	(312.6)	26.6
Total	(33,594.0)	(36,136.7)	2,542.7	(7.0)

The total costs and expenses from continuing operations of the Group decreased by 7.0% from RMB36,136.7 million in the first half of 2020 to RMB33,594.0 million in the first half of 2021, mainly due to the decrease in purchases and changes in inventories and impairment losses on assets.

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,			
	2021	2020	Change	Change in percentage
	(in millions of RMB)			(%)
Borrowings	(11,449.2)	(10,532.4)	(916.8)	8.7
Bonds issued	(6,990.6)	(6,500.6)	(490.0)	7.5
Due to customers	(1,577.1)	(2,465.1)	888.0	(36.0)
Deposits from banks and financial institutions	(123.6)	(64.4)	(59.2)	91.9
Financial assets sold under repurchase agreements	(74.8)	(97.5)	22.7	(23.3)
Placements from banks and financial institutions	(54.3)	(100.4)	46.1	(45.9)
Accounts payable to brokerage clients	(27.4)	(24.7)	(2.7)	10.9
Lease liabilities	(18.5)	(17.4)	(1.1)	6.3
Others	(46.9)	(119.6)	72.7	(60.8)
Total	(20,362.4)	(19,922.1)	(440.3)	2.2

In the first half of 2021, the interest expense of the Group was RMB20,362.4 million, representing an increase of 2.2% from RMB19,922.1 million in the first half of 2020, of which:

- (1) the interest expense on borrowings increased by 8.7% from RMB10,532.4 million in the first half of 2020 to RMB11,449.2 million in the first half of 2021 and the interest expense on bonds issued increased by 7.5% from RMB6,500.6 million in the first half of 2020 to RMB6,990.6 million in the first half of 2021, mainly due to the increase in both borrowings and bonds issued of the Group as compared with the same period of last year.
- (2) the interest expense on due to customers decreased by 36.0% from RMB2,465.1 million in the first half of 2020 to RMB1,577.1 million in the first half of 2021, mainly due to the decrease in the interest expense of due to customers of NCB caused by market interest rate downward.

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,			
	2021	2020	Change	Change in percentage
	(in millions of RMB)			(%)
Financial assets at amortized cost				
Distressed debt assets	(877.2)	(2,941.0)	2,063.8	(70.2)
Other debt investments	(48.2)	(69.4)	21.2	(30.5)
Loans and advances to customers	(1,802.3)	(1,527.1)	(275.2)	18.0
Properties held for sale	(203.8)	(27.9)	(175.9)	630.5
Credit commitments	(180.4)	(84.8)	(95.6)	112.7
Accounts receivable	(38.5)	130.4	(168.9)	129.5
Property and equipment	(20.7)	–	(20.7)	100.0
Assets in satisfaction of debts	(14.2)	(14.5)	0.3	(2.1)
Financial assets at fair value through other comprehensive income	(10.7)	(19.8)	9.1	(46.0)
Financial assets held under resale agreements	51.2	(61.9)	113.1	(182.7)
Other assets	(34.6)	17.5	(52.1)	297.7
Total	(3,179.4)	(4,598.6)	1,419.2	(30.9)

The impairment losses on assets of the Group decreased by 30.9% from RMB4,598.6 million in the first half of 2020 to RMB3,179.4 million in the first half of 2021, of which:

- (1) the impairment losses on distressed debt assets at amortized cost decreased by 70.2% from RMB2,941.0 million in the first half of 2020 to RMB877.2 million in the first half of 2021, mainly due to the gradual macroeconomic recovery in the first half of 2021, while the Company's enhanced efforts in risk resolution.
- (2) the impairment losses on loans and advances to customers increased by 18.0% from RMB1,527.1 million in the first half of 2020 to RMB1,802.3 million in the first half of 2021, mainly due to the slight increase in the balance of 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 attributable to continuing operations of the Group for the periods indicated.

	For the six months ended June 30,			
	2021	2020	Change	Change in percentage
	(in millions of RMB)			(%)
Profit before tax attributable to continuing operations	9,747.7	10,713.1	(965.4)	(9.0)
Income tax expense attributable to continuing operations	(2,670.8)	(3,636.2)	965.4	(26.5)
Effective tax rate attributable to continuing operations (%)	27.4	33.9	(6.5)	(19.3)

The income tax expense attributable to continuing operations of the Group decreased by 26.5% from RMB3,636.2 million in the first half of 2020 to RMB2,670.8 million in the first half of 2021, mainly due to the decrease in profit before tax. The effective tax rate attributable to continuing operations of the Group was 33.9% and 27.4% in the first half of 2020 and the first half of 2021, 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 institutions and non-financial enterprises; (ii) investment, management and disposal of DES Assets; (iii) conducting distressed asset management business in a comprehensive way, such as restructuring of distressed entities and distressed assets, special situations investment; 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⁽¹⁾.

	For the six months ended June 30,							
	2021	2020	2021	2020	2021	2020	2021	2020
	Distressed asset management		Financial services		Elimination		Consolidation	
(in millions of RMB)								
Total income	31,625.0	35,171.5	10,013.4	19,355.3	(236.8)	(389.4)	41,401.6	54,137.4
Percentage of total (%)	76.4	65.0	24.2	35.8				
Total costs and expenses	(26,572.0)	(28,419.6)	(7,267.5)	(16,145.2)	245.5	394.1	(33,594.0)	(44,170.7)
Profit before tax	6,987.0	7,779.6	2,751.9	3,225.3	8.7	4.7	9,747.7	11,009.6
Percentage of total (%)	71.7	70.6	28.2	29.3				
Profit margin before tax (%)	22.1	22.1	27.5	16.7			23.5	20.3
Return on average net assets before tax ⁽²⁾ (%)	12.1	14.1	7.3	8.0			10.0	11.6

	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
	2021	2020	2021	2020	2021	2020	2021	2020
Distressed asset management		Financial services		Elimination and unallocated part ⁽³⁾		Consolidation		
(in millions of RMB)								
Total assets	1,054,163.6	1,002,081.4	555,216.4	528,523.1	(5,136.5)	(12,520.9)	1,604,243.4	1,518,083.6
Percentage of total (%)	65.7	66.0	34.6	34.8				
Net assets	114,743.2	116,678.5	76,766.1	74,926.6	4,325.4	3,437.3	195,834.7	195,042.4
Percentage of total (%)	58.6	59.8	39.2	38.4				

3 Management Discussion and Analysis

Notes :

- (1) The segment operation results for the six months ended June 30, 2020 include both results from continuing operations and a discontinued operation. As Happy Life belonged to the financial services segment before it was classified as held for sale, the corresponding results from the discontinued operation were accounted into the financial services segment. For the segment data of continuing operations, please see Note IV.51 "Segment information" to the Interim Condensed Consolidated Financial Statements.
- (2) 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.
- (3) 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 2020 and the first half of 2021, the income generated from distressed asset management accounted for 65.0% and 76.4% of the total income, respectively, and the profit before tax generated from distressed asset management accounted for 70.6% and 71.7% of the total profit before tax, respectively. As at December 31, 2020 and June 30, 2021, the total assets of distressed asset management accounted for 66.0% and 65.7% of the total assets, and the net assets of distressed asset management accounted for 59.8% and 58.6% of the net assets, respectively. In the first half of 2020 and the first half of 2021, the profit contribution of this segment remained basically stable, and the profit margin before tax were both 22.1%, and annualized return on average net asset before tax was 14.1% and 12.1%, respectively.

As a key component of the business of the Group and an important cross-selling driver, the financial services business benefited from the synergistic operations and management strategies. The total assets and net assets of the financial services segment in the first half of 2021 increased as compared with those at the end of 2020, and the revenue and profit before tax decreased year on year, accounting for 35.8% and 24.2% of the total revenue, and 29.3% and 28.2% of profit before tax for the first half of 2020 and 2021, respectively.

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 2021, the assets and liabilities of the Group both increased, compared with the end of last year. As at December 31, 2020 and June 30, 2021, the total assets of the Group amounted to RMB1,518,083.6 million and RMB1,604,243.4 million, respectively, representing an increase of 5.7%; total liabilities amounted to RMB1,323,041.2 million and RMB1,408,408.7 million, respectively, representing an increase of 6.5%; and total equity amounted to RMB195,042.4 million and RMB195,834.7 million, respectively, representing an increase of 0.4%.

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, 2021		As at December 31, 2020	
	Amount	% of total	Amount	% of total
(in millions of RMB)				
Assets				
Cash and balances with central banks	13,493.4	0.8	15,375.0	1.0
Deposits with banks and financial institutions	108,232.4	6.7	87,953.6	5.8
Financial assets at fair value through profit or loss	453,928.9	28.3	446,916.7	29.4
Financial assets at fair value through other comprehensive income	120,099.4	7.5	123,728.5	8.2
Loans and advances to customers	366,580.1	22.9	353,456.3	23.3
Financial assets at amortized cost	209,936.2	13.1	220,233.0	14.5
Other assets	331,973.0	20.7	270,420.5	17.8
Total assets	1,604,243.4	100.0	1,518,083.6	100.0
Liabilities				
Borrowings from the central bank	1,025.9	0.1	986.1	0.1
Accounts payable to brokerage clients	16,489.5	1.2	16,583.8	1.3
Due to customers	296,068.6	21.0	273,644.2	20.7
Borrowings	579,614.7	41.2	556,912.1	42.1
Accounts payable	5,039.7	0.4	4,886.7	0.4
Bonds issued	380,668.5	27.0	355,777.5	26.9
Other liabilities	129,501.8	9.2	114,250.8	8.6
Total liabilities	1,408,408.7	100.0	1,323,041.2	100.0
Equity				
Equity attributable to equity holders of the Company	172,822.4	88.2	172,108.7	88.2
Non-controlling interests	23,012.2	11.8	22,933.7	11.8
Total equity	195,834.7	100.0	195,042.4	100.0
Total equity and liabilities	1,604,243.4		1,518,083.6	

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, 2020 and June 30, 2021, monetary capital amounted to RMB103,328.6 million and RMB121,725.8 million, respectively, representing an increase of 17.8%, mainly due to an increase in bank deposits and deposits with banks and financial institutions for liquidity reserves by 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, 2021	As at December 31, 2020	Change	Change in percentage
(in millions of RMB)				
(%)				
Financial assets classified as at fair value through profit or loss				
Listed investments				
Equity investments	13,939.6	13,561.9	377.7	2.8
Debt securities	24,314.6	11,868.8	12,445.8	104.9
Funds	10,336.0	7,295.4	3,040.6	41.7
Corporate convertible bonds	215.9	123.1	92.8	75.4
Unlisted investments				
Distressed debt assets	200,841.5	198,746.2	2,095.3	1.1
Funds	92,611.5	101,702.4	(9,090.9)	(8.9)
Equity investments	50,817.4	49,474.9	1,342.5	2.7
Debt instruments	27,752.6	31,674.6	(3,922.0)	(12.4)
Trust products and asset management plans	26,825.3	25,083.2	1,742.1	6.9
Security investments	2,649.0	2,569.3	79.7	3.1
Derivative financial assets	2,234.6	2,416.1	(181.5)	(7.5)
Wealth management products	1,335.1	2,344.9	(1,009.8)	(43.1)
Others	55.8	55.9	(0.1)	(0.2)
Total	453,928.9	446,916.7	7,012.2	1.6

3 Management Discussion and Analysis

As at December 31, 2020 and June 30, 2021, financial assets at fair value through profit or loss were RMB446,916.7 million and RMB453,928.9 million, respectively, among which, debt securities investments were increased, while funds and unlisted debt instruments investments were reduced.

- (1) As at December 31, 2020 and June 30, 2021, debt securities investments at fair value through profit or loss were RMB11,868.8 million and RMB24,314.6 million, respectively, representing an increase of 104.9%, mainly due to the increase in the balance of the debt securities investment of Cinda Hong Kong and Cinda Securities.
- (2) As at December 31, 2020 and June 30, 2021, listed and unlisted funds investments at fair value through profit or loss were RMB108,997.8 million and RMB102,947.5 million, respectively, representing a decrease of 5.6%, mainly due to the decrease in the balance of private funds investments of the Company and Cinda Investment.
- (3) As at December 31, 2020 and June 30, 2021, unlisted debt instruments at fair value through profit or loss were RMB31,674.6 million and RMB27,752.6 million, respectively, representing a decrease of 12.4%, mainly due to the decrease in the balance of debt instruments held by the Company.

3 Management Discussion and Analysis

The table below sets forth the components of the Group's 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, 2021	As at December 31, 2020	Change	Change in percentage (%)
(in millions of RMB)				
The Group				
Listed	13,939.6	13,561.9	377.7	2.8
Unlisted	50,817.4	49,474.9	1,342.5	2.7
Total	64,757.0	63,036.8	1,720.2	2.7
The Company				
Listed	6,253.4	5,404.5	848.9	15.7
Unlisted	24,616.9	24,479.2	137.7	0.6
Subtotal	30,870.3	29,883.7	986.6	3.3
Among which:				
DES Assets	28,547.9	27,638.2	909.7	3.3
Others	2,322.4	2,245.5	76.9	3.4
Subtotal	30,870.3	29,883.7	986.6	3.3

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, 2021	As at December 31, 2020	Change	Change in percentage
(in millions of RMB)				
(%)				
Debt securities and certificates of deposit	114,560.8	118,126.8	(3,566.0)	(3.0)
Equity instruments	4,593.6	4,473.1	120.5	2.7
Interest receivable	945.0	1,128.6	(183.6)	(16.3)
Total	120,099.4	123,728.5	(3,629.1)	(2.9)

As at December 31, 2020 and June 30, 2021, financial assets at fair value through other comprehensive income were RMB123,728.5 million and RMB120,099.4 million, respectively, representing a decrease of 2.9%, mainly due to the decline in the balance of certificates of deposit.

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, 2021	As at December 31, 2020	Change	Change in percentage (%)
(in millions of RMB)				
By business type				
Corporate and personal loans and advances	310,723.9	301,926.4	8,797.5	2.9
Loans to margin clients	10,798.2	10,120.1	678.1	6.7
Finance lease receivables	53,718.8	48,895.5	4,823.3	9.9
Total	375,240.9	360,942.0	14,298.9	4.0
By security type				
Mortgaged	57,307.3	63,430.1	(6,122.8)	(9.7)
Pledged	145,779.1	108,765.7	37,013.4	34.0
Guaranteed	48,065.8	43,369.3	4,696.5	10.8
Unsecured	124,088.7	145,376.9	(21,288.2)	(14.6)
Total	375,240.9	360,942.0	14,298.9	4.0
Allowances for impairment losses	(8,660.7)	(7,485.7)	(1,175.0)	15.7
Net balance	366,580.1	353,456.3	13,123.8	3.7

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, 2021	As at December 31, 2020	Change	Change in percentage (%)
(in millions of RMB)				
Corporate loans and advances				
Loans and advances	258,632.9	252,729.1	5,903.8	2.3
Discounted bills	755.7	555.9	199.8	35.9
Subtotal	259,388.6	253,285.0	6,103.6	2.4
Personal loans and advances				
Mortgages	30,024.3	27,377.1	2,647.2	9.7
Personal consumption loans	21,311.0	21,264.3	46.7	0.2
Subtotal	51,335.3	48,641.4	2,693.9	5.5
Total	310,723.9	301,926.4	8,797.5	2.9

Financial Assets at Amortized Cost

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

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, 2021	As at December 31, 2020	Change	Change in percentage (%)
(in millions of RMB)				
Distressed debt assets				
Acquired from financial institutions	6,603.9	5,889.6	714.3	12.1
Acquired from non-financial institutions	170,126.5	181,520.5	(11,394.0)	(6.3)
Subtotal	176,730.4	187,410.1	(10,679.7)	(5.7)
Interest accrued	4,738.8	5,621.2	(882.4)	(15.7)
Allowances for impairment losses	(16,154.7)	(16,524.8)	370.1	(2.2)
Net balance	165,314.5	176,506.4	(11,191.9)	(6.3)
Other debt assets	45,348.1	44,704.9	643.2	1.4
Interest accrued	571.0	1,099.7	(528.7)	(48.1)
Allowances for impairment losses	(1,297.3)	(2,078.0)	780.7	(37.6)
Net balance	44,621.8	43,726.5	895.3	2.0
Total	209,936.2	220,233.0	(10,296.8)	(4.7)

3 Management Discussion and Analysis

As at June 30, 2021, the total balance of distressed debt assets at amortized cost was RMB176,730.4 million, all of which are the Group's restructured distressed debt assets, decreasing by 5.7% from RMB187,410.1 million as at December 31, 2020, mainly because the Company continued to make prudent and effective investments, which leads to the decrease in the new acquisition of restructured distressed debt assets.

As at June 30, 2021, the total balance of other debt assets at amortized cost was RMB45,348.1 million, increasing by 1.4% from RMB44,704.9 million as at December 31, 2020.

As at June 30, 2021, the impaired distressed debt assets at amortized cost of the Company were RMB7,693.1 million, accounting for 4.23% of the total distressed debt assets at amortized cost. As at June 30, 2021, the allowance for impairment losses on distressed debt assets at amortized cost of the Company was RMB15,983.8 million, the coverage ratio of the impaired distressed debt assets at amortized cost was 207.8%, and the coverage ratio of allowance to total distressed debt assets at amortized cost was 8.8%.

3.2.2.2 Liabilities

Liabilities of the Group mainly consist of borrowings, bonds issued and due to customers, accounting for 41.2%, 27.0% and 21.0% of the total liabilities of the Group as at June 30, 2021, respectively.

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

	As at June 30, 2021		As at December 31, 2020	
	Amount	% of total	Amount	% of total
	(in million of RMB)			
Borrowings	579,614.7	43.8	556,912.1	44.6
Bonds issued	380,668.5	28.7	355,777.5	28.5
Due to customers	296,068.6	22.4	273,644.2	21.9
Financial assets sold under repurchase agreements	24,346.9	1.8	15,990.7	1.3
Accounts payable to brokerage clients	16,489.5	1.2	16,583.8	1.3
Deposits from banks and financial institutions	14,477.2	1.1	15,542.2	1.2
Placements from banks and financial institutions	12,800.0	1.0	14,044.3	1.1
Total	1,324,465.4	100.0	1,248,494.8	100.0

3 Management Discussion and Analysis

Borrowings

As at June 30, 2021, the balance of borrowings of the Group amounted to RMB579,614.7 million, increasing by 4.1% from RMB556,912.1 million as at December 31, 2020.

Bonds Issued

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

	As at June 30, 2021	As at December 31, 2020
(in millions of RMB)		
Asset-backed securities	126,630.2	102,944.6
Financial bonds	111,778.5	111,834.0
USD guaranteed senior notes	87,269.2	75,062.0
Corporate bonds	21,922.7	22,571.1
Mid-term notes	9,084.9	8,132.3
Tier-2 capital bonds	8,200.2	18,216.7
Subordinated notes	4,515.8	4,558.7
Debt financing plan	3,006.8	2,993.4
Beneficiary certificates	2,935.2	4,099.8
Subordinated bonds	2,663.2	2,681.5
Certificates of deposit	1,851.5	1,805.0
Asset-backed notes	775.2	834.2
HKD bonds	35.2	44.3
Total	380,668.5	355,777.5

As at December 31, 2020 and June 30, 2021, the balance of bonds issued by the Group amounted to RMB355,777.5 million and RMB380,668.5 million, respectively. The balance of bonds issued continued to increase, mainly because the Group increased bond financing by taking advantage of the window of stage financing in the first half of 2021. Bonds issued in the first half of 2021 mainly consist of (1) asset-backed securities at carrying amount of RMB65.26 billion issued by the Company; and (2) USD mid-term notes at a carrying amount of USD2.0 billion issued by Cinda Hong Kong.

3 Management Discussion and Analysis

Due to Customers

As at December 31, 2020 and June 30, 2021, the balance of the amount due to customers of the Group amounted to RMB273,644.2 million and RMB296,068.6 million, respectively, with an increase of 8.2% as compared with the end of last year. Due to customers of the Group came from NCB.

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

	As at June 30, 2021	As at December 31, 2020	Change	Change in percentage (%)
(in millions of RMB)				
Demand deposits	101,705.5	103,949.5	(2,244.0)	(2.2)
Corporate	50,170.0	55,155.3	(4,985.3)	(9.0)
Personal	51,535.5	48,794.2	2,741.3	5.6
Time deposits	179,805.4	155,695.8	24,109.6	15.5
Corporate	107,141.7	82,949.4	24,192.3	29.2
Personal	72,663.7	72,746.4	(82.7)	(0.1)
Guarantee deposits	13,530.4	12,759.6	770.8	6.0
Interest payable	1,027.3	1,239.3	(212.0)	(17.1)
Total	296,068.6	273,644.2	22,424.4	8.2

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

As at December 31, 2020 and June 30, 2021, the claim amounts of pending litigation of which the Group was defendant were RMB1,974.1 million and RMB1,627.4 million, respectively, and provisions of RMB9.4 million and RMB12.1 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,			
	2021		2020	
	Total income	% of total	Total income	% of total
	(in millions of RMB)			
Distressed asset management	31,625.0	76.4	35,171.5	65.0
Financial services	10,013.4	24.2	19,355.3	35.8
Elimination	(236.8)	(0.6)	(389.4)	(0.8)
Total	41,401.6	100.0	54,137.4	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,			
	2021		2020	
	Profit before tax	% of total (in millions of RMB)	Profit before tax	% of total
Distressed asset management	6,987.0	71.7	7,779.6	70.6
Financial services	2,751.9	28.2	3,225.3	29.3
Elimination	8.7	0.1	4.7	0.1
Total	9,747.7	100.0	11,009.6	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 institutions and non-financial enterprises; (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 2020 and the first half of 2021, the income from the distressed asset management business accounted for 65.0% and 76.4% of the total income of the Group, respectively, and the profit before tax from the distressed asset management business accounted for 70.6% and 71.7% 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, 2021	As at December 31, 2020
	(in millions of RMB)	
Net balance of distressed debt assets ⁽¹⁾	366,982.7	375,603.2
Book value of DES Assets	77,270.2	77,239.3
Book value of other distressed assets ⁽²⁾	169,077.6	176,077.0

	For the six months ended June 30, 2021	2020
	(in millions of RMB)	
Distressed debt assets		
Acquisition cost of distressed debt assets	45,589.5	43,150.5
Income from distressed debt assets ⁽³⁾	14,448.1	15,462.9
DES Assets		
Gains on fair value changes ⁽⁴⁾	722.4	984.3
Gains realized with other approaches ⁽⁵⁾	981.3	501.8
Other distressed assets		
Income from other distressed assets ⁽⁶⁾	4,492.1	2,563.9

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 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) NFE Distressed Assets, including receivables from non-financial enterprises.

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

	As at June 30, 2021		As at December 31, 2020	
	Amount	% of total	Amount	% of total
	(in millions of RMB)			
Net balance of distressed debt assets⁽¹⁾				
FI Distressed Assets	187,747.4	51.2	192,709.0	51.3
NFE Distressed Assets	179,235.3	48.8	182,894.2	48.7
Total	366,982.7	100.0	375,603.2	100.0

	For the six months ended June 30,			
	2021		2020	
	Amount	% of total	Amount	% of total
	(in millions of RMB)			
Acquisition cost of distressed debt assets⁽²⁾				
FI Distressed Assets	22,294.0	48.9	12,478.5	28.9
NFE Distressed Assets	23,295.5	51.1	30,672.0	71.1
Total	45,589.5	100.0	43,150.5	100.0
Income from distressed debt assets⁽³⁾				
FI Distressed Assets	6,952.4	48.1	5,890.3	38.1
NFE Distressed Assets	7,495.7	51.9	9,572.6	61.9
Total	14,448.1	100.0	15,462.9	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,			
	2021		2020	
	Acquisition Amount	% of total	Acquisition Amount	% of total
	(in millions of RMB)			
Large commercial banks	7,100.1	31.8	5,593.2	44.8
Joint-stock commercial banks	6,077.8	27.3	2,027.4	16.3
City and rural commercial banks	3,911.4	17.5	2,238.9	17.9
Other banks ⁽¹⁾	130.3	0.6	67.5	0.5
Non-banking financial institutions ⁽²⁾	5,074.4	22.8	2,551.5	20.5
Total	22,294.0	100.0	12,478.5	100.0

Notes :

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

NFE Distressed Assets

The NFE Distressed Assets acquired by the Company are primarily distressed assets which were held by non-financial enterprises or managed by financial institutions as trustee. The NFE 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, 2021		As at December 31, 2020	
	Amount	% of total	Amount	% of total
	(in millions of RMB)			
Net balance of distressed debt assets				
Acquisition-operation Distressed Assets ⁽¹⁾	201,003.1	54.8	198,870.5	52.9
Restructured Distressed Assets ⁽²⁾	165,979.6	45.2	176,732.7	47.1
Total	366,982.7	100.0	375,603.2	100.0

	For the six months ended June 30,			
	2021		2020	
	Amount	% of total	Amount	% of total
	(in millions of RMB)			
Acquisition cost of distressed debt assets				
Acquisition-operation Distressed Assets	21,751.1	47.7	12,808.0	29.7
Restructured Distressed Assets	23,838.4	52.3	30,342.5	70.3
Total	45,589.5	100.0	43,150.5	100.0
Income from distressed debt assets				
Acquisition-operation Distressed Assets ⁽³⁾	6,833.2	47.3	6,330.1	40.9
Restructured Distressed Assets ⁽⁴⁾	7,614.9	52.7	9,132.8	59.1
Total	14,448.1	100.0	15,462.9	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 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 2021, 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, adhering to the "headquarter-to-headquarter" strategy, proactively expanded the source 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 disposal turnover and value preservation, grasped disposal opportunities to accelerate cash recovery and improve disposal efficiency, which achieved sound net income.

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, 2021	As at December 31, 2020
(in millions of RMB)		
Net balance of Acquisition-operation Distressed Assets	201,003.1	198,870.5

	For the six months ended June 30, 2021	2020
(in millions of RMB)		
Acquisition cost of Acquisition-operation Distressed Assets	21,751.1	12,808.0
Carrying amount of Acquisition-operation Distressed Assets disposed ⁽¹⁾	20,481.6	18,950.6
Unrealized fair value changes	755.2	1,572.5
Net income from Acquisition-operation Distressed Assets	6,833.2	6,330.1
Internal rate of return ⁽²⁾ (%)	11.8	14.7

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 2021, 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 continuously promoted structure optimization, transformation and upgrading of Restructured Distressed Assets business. Based on the strengthened existing 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; 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 continued to make prudent and effective investments, sped up the activation and disposal of inefficient assets, optimized the asset portfolio, 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, 2021	As at December 31, 2020
(in millions of RMB)		
Net balance of Restructured Distressed Assets	165,979.6	176,732.7
Balance of impaired Restructured Distressed Assets	7,693.1	7,539.4
Impaired Restructured Distressed Assets ratio ⁽¹⁾ (%)	4.23	3.90
Allowance for impairment losses	15,983.8	16,380.8
Impaired Restructured Distressed Assets coverage ratio ⁽²⁾ (%)	207.8	217.3

3 Management Discussion and Analysis

	For the six months ended June 30,	
	2021	2020
	(in millions of RMB)	
Acquisition cost of Restructured Distressed Assets	23,838.4	30,342.5
Income from Restructured Distressed Assets	7,614.9	9,132.8
Annualized return on monthly average balance ⁽³⁾ (%)	7.6	9.2

Notes :

- (1) Equals impaired Restructured Distressed Assets divided by the gross balance of Restructured Distressed Assets.
- (2) Equals the balance of allowance for impairment losses divided by the balance of impaired Restructured Distressed Assets.
- (3) Equals income from Restructured Distressed Assets (excluding disposal gains or losses of impaired assets) divided by the 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, 2021		As at December 31, 2020	
	Acquisition Amount	% of total	Acquisition Amount	% of total
	(in millions of RMB)			
Real estate	69,838.0	38.4	88,674.7	45.9
Manufacturing	26,481.5	14.6	26,321.2	13.6
Mining	15,056.5	8.3	10,903.6	5.6
Wholesale and retail trade	14,585.2	8.0	16,240.1	8.4
Construction	13,292.8	7.3	11,348.4	5.9
Leasing and commercial services	10,207.6	5.6	8,353.9	4.3
Others	32,501.8	17.8	31,271.6	16.3
Total	181,963.4	100.0	193,113.5	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, 2021		As at December 31, 2020	
	Acquisition Amount	% of total	Acquisition Amount	% of total
	(in millions of RMB)			
Central Region	57,280.4	31.5	54,645.4	28.3
Bohai Rim	38,570.8	21.2	39,382.6	20.4
Yangtze River Delta	35,997.4	19.8	38,990.8	20.2
Western Region	32,010.9	17.6	35,307.9	18.3
Pearl River Delta	16,425.1	9.0	22,562.9	11.7
Northeast Region	1,678.8	0.9	2,223.9	1.1
Total	181,963.4	100.0	193,113.5	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 2021, 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 disposal of listed equity assets. The Company continued to promote the market-oriented DES business, and increased investments in areas such as the separation of the auxiliary business from the main business of state-owned enterprises and the deleveraging 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, 2021	As at December 31, 2020
(in millions of RMB)		
Total book value		
DES Assets at fair value through profit or loss	32,239.1	31,169.6
DES Assets at interests in associates and joint ventures	41,468.8	42,626.3
DES Assets at fair value through other comprehensive income	3,562.3	3,443.4
Total	77,270.2	77,239.3

	For the six months ended June 30,	
	2021	2020
(in millions of RMB)		
DES Assets Income		
Fair value changes ⁽¹⁾	722.4	984.3
Gains realized with other accounting approaches ⁽²⁾	981.3	501.8

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 accrued in 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, applies flexible structures such as private funds, trust plans and asset management plans, invests its own or under-managed funds in specific projects, to resolve the risks of such projects and improve the operating conditions of enterprises, and disposes of or exits such investment in due course. The investment targets mainly include non-standard debt and equity, fixed-income asset management products, securitization products and bonds.

In the first half of 2021, 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, 2020 and June 30, 2021, the balance of other distressed asset business investment of the Company amounted to RMB176.08 billion and RMB169.08 billion, respectively. In the first half of 2020 and the first half of 2021, the income from other distressed asset business of the Company amounted to RMB2.56 billion and RMB4.49 billion, respectively.

Other Distressed Asset Business of Cinda Hong Kong

Under the model of "distressed assets + investment banking" and by strengthening the cooperation within the Group, Cinda Hong Kong focused on the development of the restructuring business of distressed assets with cross-border demands, and participated in relevant investment and financing projects such as cross-border industrial restructuring, cross-border mergers and acquisitions and overseas settlement, which are supported by the national policies of industrial transformation and upgrading. The main types of business include restructuring business of distressed entities and distressed assets, acquisition and disposal business of overseas non-performing loans of Chinese financial institutions, acquisition and restructuring business of defaulted offshore USD denominated bonds issued by Chinese entities and supportive business of global resource integration of the Group's strategic clients.

3 Management Discussion and Analysis

As at December 31, 2020 and June 30, 2021, the balance of other distressed asset business investment of Cinda Hong Kong amounted to RMB62.22 billion and RMB41.41 billion, respectively. In the first half of 2020 and the first half of 2021, the income from other distressed asset business of Cinda Hong Kong amounted to RMB1.37 billion and RMB0.65 billion, respectively.

Other Distressed Asset Business of Cinda Investment

By continuing to promote business transformation and structural adjustment, focusing on principal business of “extensive distressed asset” and the persistence on distressed asset investment, Cinda Investment vigorously promotes substantial restructuring of distressed entities and distressed assets in the real estate sector, including rescue of default and crisis events in such programs as shanty house rebuilding and urban renewal; properly participates in the separation of the auxiliary business from the main business of state-owned enterprises, mixed ownership reform, “disposal of zombie enterprises and enterprises in extreme plight”; and explores the rescue of private enterprises to assist such enterprises to develop bigger and stronger.

As at December 31, 2020 and June 30, 2021, the balance of other distressed asset business investment of Cinda Investment amounted to RMB54.10 billion and RMB57.05 billion, respectively. In the first half of 2020 and the first half of 2021, the income from other distressed asset business of Cinda Investment amounted to RMB1.90 billion and RMB2.79 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 by conducting reorganization of enterprises, establishing the dedicated platform to provide bankruptcy costs and debt financing 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, 2020 and June 30, 2021, the balance of the other distressed asset business investment of Zhongrun Development amounted to RMB3.11 billion and RMB3.45 billion, respectively. In the first half of 2020 and the first half of 2021, the income from other distressed asset business of Zhongrun Development amounted to RMB0.09 billion and RMB0.14 billion, respectively.

3 Management Discussion and Analysis

3.3.1.5 Other Investments

Cinda Real Estate

By taking advantage of its real estate expertise, Cinda Real Estate is committed to creating a professional real estate service platform within the “extensive distressed asset” business of the Group. It provides professional post-investment management services and consultancy services for the real estate-related business of the Group, revitalizes distressed real estates 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 2020 and the first half of 2021, Cinda Real Estate achieved revenue from sales of properties held for sale of RMB9.61 billion and RMB4.28 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, 2020 and June 30, 2021, the balance of the entrusted operation distressed assets amounted to RMB11.40 billion and RMB5.77 billion, respectively.

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 2020 and the first half of 2021, the income from the financial services business accounted for 35.8% and 24.2% of the total income of the Group, respectively, and the profit before tax from the financial services business accounted for 29.3% and 28.2% 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,							
	2021		2020		As at June 30, 2021		As at December 31, 2020	
	Profit		Profit		Total assets	Net assets	Total assets	Net assets
	Income	before tax	Income	before tax				
(in millions of RMB)								
NCB	5,937.5	1,786.0	7,325.0	2,439.5	434,267.7	53,081.5	424,117.0	52,048.7
Cinda Securities	2,044.9	526.1	2,178.6	438.2	59,671.1	12,036.3	47,321.5	11,633.6
Jingu Trust	289.7	178.3	217.7	59.4	4,837.9	4,273.8	4,761.8	4,154.8
Cinda Leasing	1,672.7	258.9	1,257.2	3.2	60,647.7	7,591.2	53,874.1	7,429.3

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, 2021	As at December 31, 2020
(in billions of RMB)		
Total assets	434.3	424.1
Total loans	246.2	235.4
Total deposits	304.1	295.9
Asset quality indicators (%)		
Non-performing loan ratio ⁽¹⁾	1.67	0.86
Capital adequacy ratio indicators (%)		
Total capital ratio ⁽²⁾	18.64	19.26
Tier-1 capital ratio ⁽³⁾	15.12	15.61
Tier-1 common capital ratio ⁽⁴⁾	12.56	12.89
Other indicators (%)		
Liquidity coverage ratio ⁽⁵⁾	151.97	149.77

	For the six months ended June 30,	
	2021	2020
(in billions of RMB)		
Net interest income	2.7	3.0
Net commission and fee income	0.8	0.8
Profitability indicators (%)		
Annualized return on average assets ⁽⁶⁾	0.74	1.00
Annualized return on average shareholder's equity ⁽⁷⁾	6.50	9.01
Net interest margin ⁽⁸⁾	1.38	1.46
Cost-to-income ratio ⁽⁹⁾	35.57	32.50

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 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 such as personal wealth management and corporate banking.

The personal wealth management services of NCB Hong Kong primarily include various currency deposits, foreign exchange, stocks, funds and bond trading, foreign exchange and stock margin, mortgages, taxation, personal loans and insurance, etc. NCB Hong Kong adheres to the business philosophy of “services in two places, in the same line”, optimizes product and service processes, improves professional standards of cross-border services, and serves Hong Kong citizens and customers in the Greater Bay Area; vigorously promote RMB deposits and exchange business to meet the customers’ RMB wealth management needs.

The corporate banking services of NCB Hong Kong primarily include import and export negotiation, trade financing, overdrafts, industrial and commercial loans, project loans and syndicated loans, etc. With the synergy advantage of the Group, NCB Hong Kong leverages its expertise on cross-border finance, optimizes its business model of cross-border, deepens the integrated operation characteristics in the Greater Bay Area, promotes various cross-border business products, to meet corporates’ cross-border financial service needs; resolutely fulfills corporate social responsibilities, launches a number of relief measures to support corporate customers, alleviates financial pressures for small and medium-sized enterprises affected by the Pandemic, and promotes the operation of real economy enterprises.

NCB Hong Kong continues to develop various wealth and asset management products to help corporate and personal customers to hedge and manage interest rate and exchange rate risks. Moreover, it has made substantial investments in the RMB bond market and expanded the domestic financing channels. It has diversified the sources of RMB denominated funds and decreased interest expense by means of currency hedges related to “Bond Connect” and others.

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, 2021	As at December 31, 2020
	(in billions of RMB)	
From personal customers		
Balance of loans	29.6	29.0
Balance of deposits	114.1	111.6
From corporate customers		
Balance of loans	142.7	137.7
Balance of deposits	105.8	98.1

	For the six months ended June 30, 2021	2020
	(in billions of RMB)	
From personal customers		
Net interest income	0.3	0.4
Net commission and fee income	0.3	0.3
From corporate customers		
Net interest income	0.9	1.1
Net commission and fee income	0.3	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, 2021	As at December 31, 2020
(in billions of RMB)		
Total assets	146.3	143.0
Total loans	87.3	82.1
Total deposits	101.0	95.4
Asset quality indicators (%)		
Non-performing loan ratio	1.40	0.86
Provision coverage ratio	152.49	233.52
Capital adequacy ratio indicators (%)		
Core tier-one capital adequacy ratio	14.75	15.57
Tier-one capital adequacy ratio	14.75	15.57
Capital adequacy ratio	15.39	16.58

	For the six months ended June 30, 2021	2020
(in billions of RMB)		
Net interest income	1.1	1.1
Net commission and fee income	0.2	0.2
Profitability indicators (%)		
Annualized return on average assets	0.46	0.69
Annualized return on average shareholders equity	4.51	6.71

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, 2021		As at December 31, 2020	
	Balance	% of total	Balance	% of total
	(in billions of RMB)			
Loans				
Corporate Banking Business	65.6	75.1	62.5	76.1
Personal Banking Business	21.7	24.9	19.6	23.9
Total	87.3	100.0	82.1	100.0
Deposits				
Corporate Banking Business	90.6	89.7	85.0	89.1
Personal Banking Business	10.4	10.3	10.4	10.9
Total	101.0	100.0	95.4	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 2020 and the first half of 2021, the revenue of Cinda Securities amounted to RMB1,569.8 million and RMB1,486.1 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,			
	2021		2020	
	Amount	% of total	Amount	% of total
	(in millions of RMB)			
Securities brokerage	409.0	27.5	355.4	22.6
Investment banking	259.0	17.4	264.4	16.9
Asset management	51.3	3.5	41.4	2.6
Futures	90.3	6.1	56.5	3.6
Other Businesses	676.5	45.5	852.1	54.3
Total	1,486.1	100.0	1,569.8	100.0

Securities brokerage: As at December 31, 2020 and June 30, 2021, the number of clients of Cinda Securities' securities brokerage business amounted to 1.915 million and 2.118 million. The total value of its AUM amounted to RMB228.88 billion and RMB243.16 billion, respectively. In the first half of 2020 and the first half of 2021, the turnover of Cinda Securities' securities brokerage business amounted to RMB1,196.44 billion and RMB1,190.28 billion, respectively.

Investment banking: In the first half of 2020 and the first half of 2021, Cinda Securities' underwriting fee and commission income amounted to RMB259.2 million and RMB194.9 million, respectively.

Asset management: As at December 31, 2020 and June 30, 2021, the AUM balance of Cinda Securities amounted to RMB140.78 billion and RMB165.76 billion, respectively. In the first half of 2020 and the first half of 2021, the commission and fee income from Cinda Securities' asset management business as trustee amounted to RMB41.4 million and RMB51.3 million, respectively.

3 Management Discussion and Analysis

Other businesses: Mainly includes investment business and credit business. As at December 31, 2020 and June 30, 2021, the turnover of margin financing business of the Cinda Securities amounted to RMB9.59 billion and RMB10.16 billion, respectively. The turnover of stock pledge business amounted to RMB0.80 billion and RMB0.64 billion, respectively.

Cinda Futures

The Group conducts futures business through Cinda Futures. In the first half of 2020 and the first half of 2021, income from the futures business of Cinda Futures amounted to RMB56.5 million and RMB90.3 million, respectively, and the operating profit realized amounted to RMB14.7 million and RMB35.4 million, respectively.

First State Cinda Fund

The Group conducts mutual fund business through First State Cinda Fund. Such mutual funds are classified into monetary funds, equity funds, bond funds and hybrid funds, which mainly invest in equity assets and fixed income assets. As at December 31, 2020 and June 30, 2021, the Group had 31 and 36 mutual securities investment funds with the total AUM of mutual funds and asset management plans amounted to RMB46.54 billion and RMB57.73 billion, respectively. In the first half of 2020 and the first half of 2021, management fee income from mutual funds and asset management plans amounted to RMB121.2 million and RMB229.9 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 2020 and the first half of 2021, the revenue of Cinda International amounted to RMB105.2 million and RMB121.2 million respectively.

3.3.2.3 Trusts

The Group conducts trust business through Jingu Trust. As at December 31, 2020 and June 30, 2021, the existing trust AUM amounted to RMB143.00 billion and RMB149.60 billion, respectively, and the Group managed 164 and 227 existing trust projects, respectively. In the first half of 2020 and the first half of 2021, the fees and commission income generated from trust business were RMB0.18 billion and RMB0.22 billion, respectively, accounting for 80.9% and 76.5% 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, 2021		As at December 31, 2020	
	Amount	% of total	Amount	% of total
	(in millions of RMB)			
Asset-backed securitization	69,953.0	46.8	54,903.0	38.4
Industry and commerce	26,748.0	17.9	32,924.0	23.0
Infrastructure	15,301.0	10.2	9,272.0	6.5
Real estate	13,665.0	9.1	9,662.0	6.8
Securities markets	1,734.0	1.2	800.0	0.5
Financial institutions	1,204.0	0.8	3,760.0	2.6
Others	20,991.0	14.0	31,676.0	22.2
Total	149,596.0	100.0	142,997.0	100.0

3.3.2.4 Financial Leasing

The Group conducts financial leasing business through Cinda Leasing. As at December 31, 2020 and June 30, 2021, the net finance lease receivables of the Group amounted to RMB46.58 billion and RMB51.43 billion, respectively. In the first half of 2020 and the first half of 2021, the net revenue generated by the financial leasing business of the Group amounted to RMB676.6 million and RMB859.2 million, respectively, and the net profit generated from the financial leasing business of the Group amounted to RMB112.8 million and RMB188.6 million, respectively.

Product Types

In the first half of 2021, the net income from specialized products and non-specialized products was RMB211.4 million and RMB647.8 million, respectively, representing 24.6% and 75.4% of Cinda Leasings net income for the periods, respectively.

3 Management Discussion and Analysis

Industry Distribution

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

	As at June 30, 2021		As at December 31, 2020	
	Amount	% of total	Amount	% of total
	(in millions of RMB)			
Manufacturing	16,933.9	31.7	17,624.7	36.2
Water conservancy, environment and public facility management	8,152.0	15.3	7,976.3	16.4
Leasing and commercial services	5,908.4	11.1	4,682.7	9.6
Production and supply of power, heat, gas and water	5,728.2	10.7	7,182.8	14.8
Transportation, logistics and postal services	4,895.5	9.2	4,701.4	9.7
Others	11,834.1	22.0	6,477.7	13.3
Total	53,452.1	100.0	48,645.6	100.0

3.3.2.5 Business Synergy

In the first half of 2021, the Group accelerated the upgrading of its business model by building a solid management foundation, ensuring compliance operations, improving business quality, and vigorously promoting market-oriented reforms. It built a customer-oriented business development mechanism through giving full play to the professional expertise of subsidiaries to explore a high-quality development path that provides a full range of services through full-process collaboration.

In the first half of 2021, the Group recorded business synergy scale totaling RMB347.21 billion from 1,765 customers, which realized synergy income of RMB1.59 billion, among which, NCB recorded business synergy scale totaling RMB49.27 billion, with a synergy income of RMB0.33 billion; Cinda Securities recorded business synergy scale totaling RMB86.80 billion, with a synergy income of RMB0.18 billion; Cinda Leasing recorded business synergy scale totaling RMB17.89 billion, with a synergy income of RMB0.34 billion; Jingu Trust recorded business synergy scale totaling RMB32.23 billion, with a synergy income of RMB0.07 billion; Cinda Capital recorded business synergy scale totaling RMB46.03 billion, with a synergy income of RMB0.09 billion; Cinda Investment recorded business synergy scale totalling RMB20.05 billion, with a synergy income of RMB0.45 billion; and Cinda Real Estate recorded business synergy scale totaling RMB94.72 billion, with a synergy income of RMB0.13 billion.

3.3.3 Human Resources Management

In the first half of 2021, the Company continued to strengthen the construction of talent echelon, constantly deepened the reform of market mechanism, and steadily promoted the HR work, in order to provide strong organizational guarantee and talent support for the realization of high-quality development of the Company.

3.3.3.1 Employees

As at June 30, 2021, the Group had 12,783 employees (excluding those employed through labor dispatch agency), of which 10,934 were in Mainland China and 1,849 were in Hong Kong and Macao. In the Company and its tier-one subsidiaries (headquarters), employees with bachelor's degree or above and employees with master's degree or above accounted for 92% and 60% of the total number of employees, 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. On the premise of complying with relevant regulatory provisions, the Company further improved its internal salary management system and the incentive and restraint mechanism, continuously deepened the reform of the compensation distribution system and mechanism, and promoted the realization of the management objectives of implementing the Company's strategy, constraining operational risks and improving organizational performance.

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 2020 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.

3 Management Discussion and Analysis

In the first half of 2021, 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 resumption of work and production, adhered to the risk management concept of "protecting the bottom-line by managing risks proactively", and steadily facilitated the development of a comprehensive risk management system. The Group further strengthened risk appetite transmission mechanism, provided guidance and discipline on the Group's risk management policies, continued to strictly control new risks and eliminate existing risks, consolidated routine risk management, and maintained the overall stability of asset quality. The effectiveness of the Group's comprehensive risk monitoring was further enhanced, the informatization of risk management was improved, and effectiveness of the Group's risk management was further promoted.

3.4.2 Risk Appetite

At the beginning of 2021, Risk Appetite Statement of the Group (2021) was formally issued and implemented upon the approval of the Board and subject to its supervision in implementation. The Risk Appetite Statement incorporates the implementation and transmission of risk appetite into the overall assessment of each operating unit, strengthens the implementation of appetite, quantifies the responsibility for transmission, guides each operating unit to prepose risk threshold, and proactively manages risks through incentives and constraints. 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.

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 required 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 continuously promoted the establishment of the risk management organization 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 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 of the Senior Management exercised part of the risk management duties of the Senior Management in accordance with the authorization.

In the first half of 2021, 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 and the Risk Management Report of the Group. The risk management committee of the Senior Management convened four meetings to consider various resolutions and reports, such as the risk management policy of the Group, the risk limits management plan and risk monitoring and evaluation plan of the Group, as well as connected transaction reports of the Group.

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

In the first half of 2021, 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, 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 strove to continuously improve the performance and competence of all Group personnel involving in risk management through training program, qualification verification, job rotation and expertise tests.

3 Management Discussion and Analysis

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, giving contribution to a favorable implementation of the system.

At the beginning of 2021, the Company formulated and issued the risk management policy of the Group for 2021, requiring to maintain a robust risk preference, strive to control risk exposure, improve business quality, and pursue balanced development of efficiency, quality and scale. All business activities should be effectively implemented within the framework of risk appetite and at an acceptable risk level, and major risks faced by the Company should be effectively identified, measured, reported and monitored. The Company should improve the forward-looking risk management, to balance business scale, operating income and risk-taking, and firmly keep the bottom line of eliminating systemic risks.

In addition, based on the regulatory requirements and internal management needs, the Company has formulated the Unified Customer Credit Management Measures, Interim Management Measures of Risk Deposit for Project Managers, and revised the Internal Credit Risk Rating Management Measures 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 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, rating classification, impairment provision, stress test and risk assessment.

In the first half of 2021, the Company promptly adjusted its risk management and control methods and clarified control targets to ensure the effectiveness and timeliness of risk management in accordance with regulatory requirements and market changes as well as changes in risk exposure. The Company promoted the strict control of new risks by improving the full coverage of the risk monitoring system and the risk incentive restraint mechanism, conducted stress tests continuously and introduced policies and measures of risk response. 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 has actively promoted the construction and integration of information systems related to risk management, and continuously optimized the internal rating system, achieving a full business coverage of all branches and non-financial subsidiaries. The Company has developed a risk monitoring platform construction plan to accelerate the construction of substantive risk monitoring in the whole process to improve the data integrity and accuracy, realize data sharing and eliminate information silos among the Group.

3.4.6 Management of Credit Risk

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

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

In the first half of 2021, in order to implement the Company's business development strategy and risk appetite requirements and improve credit risk management, the Company, with strengthening the Group's credit risk management and control as the main goal, and "quantity limit, effective investment, overall management, comprehensive coverage, quality improvement, and stock revitalization" as the principle, constantly built client portfolios to maximize risk-adjusted returns under capital constraints, optimized and upgraded the internal rating system, and established a client and business rating system that matches with risk appetite and tolerance, further improving credit risk measurement level; improved the risk management mechanism for key customers through vigorously enhanced the forward-looking and inter-active, and controlled large risk exposures; established a unified credit control system among the Group, strengthened the risk identification and credit quota management for the customers, and reasonably controlled the customer credit risk exposures; enhanced the mortgage value management to give full play to the role of risk mitigation; optimized the credibility information management system to effectively control and resolve credit risks.

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, or losses due to magnificent crises. The market risk management of the Group 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 has controlled the interest rate risks mainly through flexibly adjusted the financing maturity and pace, reasonably controlled the asset investment period and interest payment method, and improved the matching degree of the maturity structure of assets and liabilities.

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

3 Management Discussion and Analysis

In the first half of 2021, under the influence of multiple factors, such as the promotion and acceleration of global COVID-19 vaccination, the above-expected overseas fiscal stimulus plan, the under-expected liquidity tightening, the continuation of domestic economic recovery, the policies avoiding sharp turn, and the rising commodity prices, the A-share market presented overall volatility, with marked differentiation by index and industry. The Company will continue to closely monitor the effects placed by factors such as trends of macroeconomy, situations of domestic and overseas markets, trends of relevant industries, tightness of liquidity and the changes of regulations and requirements on the value of equity assets, and raise its efforts in research and judgment so as to reasonably formulate and adjust the management strategies of its investment in listed equity assets and endeavor to enhance management effectiveness.

3.4.8 Management of Liquidity Risk

Liquidity risk refers to the risk that, while the Group 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 Group, putting liquidity security at the core throughout, has resolutely implemented the regulatory requirements on liquidity risk management, and established and improved the liquidity risk management policies, procedures and systems. Based on the Group's liquidity risk management information system, the Group constantly strengthened the construction of financing capacity and managed liquidity risk in a holistic manner, in order to effectively ensure the liquidity security.

In the first half of 2021, the Group made forward-looking adjustments to its financing and liquidity management strategies in accordance with regulatory requirements and market changes, continuously expanded diversified financing channels and vigorously promoted standardized direct financing. While ensuring the healthy and orderly development of the main business, the Group constantly optimized the maturity structure of assets and liabilities to achieve a stable and benign cycle; conducted targeted liquidity risk stress tests to fully assess the impact of various stress scenarios on the Group's liquidity and ensure the security.

3 Management Discussion and Analysis

3.4.9 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 2021, the Company continued to improve the system, the quality and efficiency of operational risk management. The Company gradually promoted the effective use of key risk indicator monitoring and management tools, formulated company and business level monitoring indicators, carried out indicator monitoring and analysis within the Group, and improved the operational risk early warning capacity; improved the forward-looking of the routine management of operational risk through loss data collection; developed Requirements for Work Separation of Incompatible Positions to strengthen the practicability and effectiveness of position checks and balances, further improved the standardized management level of internal checks and balances, and effectively prevented operational risks.

The Company conducted risk detection across the Group according to the Administrative Measures for Risk Detection, strictly analyzed and effectively rectified the identified risks and potential risks, thus eliminating certain operational risks in time. Through risk detection, the Group's risk awareness, risk response ability and professional quality of business personnel were further improved, and operational risk management and control was further strengthened.

3.4.10 Management of Reputation Risk

Reputation risk refers to the risks of negative comments on the Company from relevant stakeholders as a result of its operations, management and other activities or external events, which leads to loss of the brand and reputation of the Company.

In the first half of 2021, the Company continuously promoted the improvement of reputation risk management level by seizing the key links and highlighting the focus. The Company promoted the system revision review, enhanced the Group's reputation risk management mechanism; improved the monitoring and early warning means, smoothened the group-wide exchange mechanism of the public opinion; carried out the checks on risk factors, strengthened the management and control from reputation risk origins; organized staff training and drills to improve the ability to deal with public opinion; carried out evaluation and assessment in certain subsidiaries to strengthen the control in key areas; proactively responded to media concerns, assessed and defused potential reputation risks.

During the Reporting Period, the reputation risk management level has been steadily improved, and the good image and sound reputation of the Company have been effectively maintained.

3 Management Discussion and Analysis

3.4.11 Anti-Money Laundering

The Company conscientiously performs its legal obligations on anti-money laundering, attaches great importance to money laundering risk management, strictly abides by laws, regulations and regulatory policies related to anti-money laundering and anti-terrorist financing, earnestly practices the “risk-oriented” principle, and constantly improves the effectiveness of anti-money laundering work.

In the first half of 2021, in accordance with the relevant laws in the field of anti-money laundering, and with the suggestions from external experts, the Company studied, optimized and improved the relevant measures based on the construction of its own money laundering risk management system and the self-assessment of the institutional money laundering risk. The Company continued to promote the renovation of the anti-money laundering system and clarified the optimization needs of customer identification, realizing the integration of the basic customer identity information at the Group level, and providing technical support for the implementation of the new system. At the branch level, the Company carried out anti-money laundering practical training and research to understand the regional supervision situation, and continued to strengthen the money laundering risk management awareness and practical operation capability. By organizing and carrying out internal essay competition, official account publication and other events, the Company earnestly fulfilled the anti-money laundering publicity obligations.

3.5 Capital Management

The Company has established a business and development model on the basis of capital constraints with reference to relevant requirements and rules on capital supervision issued by the CBIRC and advanced experience from industry. In the process of business expansion, the Company intensified its awareness on capital cost, put emphasis on the risk-adjusted assets return level, and promoted more efficient and high-quality allocation of resources to 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 (Trial) (Yin Jian Fa [2017] No. 56) and the overall development strategy of the Group, the Company continued to promote the capital constraints oriented business development mechanism, improved the efficiency of capital utilization, promptly monitored the capital changes of every business sector and product line, and ensured that the stable capital situation was maintained, so as to support the high quality development of every business of the Company.

3 Management Discussion and Analysis

The following table sets out the Company's capital adequacy ratio, net capital and risk-weighted assets as at the dates indicated.

	As at June 30, 2021	As at December 31, 2020
(in millions of RMB)		
Core tier-1 capital adequacy ratio (%)	10.60	10.66
Tier-1 capital adequacy ratio (%)	13.67	13.70
Capital adequacy ratio (%)	16.01	17.47
Net core tier-1 capital	73,658.4	74,490.4
Net tier-1 capital	94,939.6	95,771.6
Net capital	111,239.6	122,125.3
Risk-weighted assets	694,733.2	699,077.1

As at December 31, 2020 and June 30, 2021, the leverage ratio (the ratio of interest-bearing debt to equity) of the Company was 6.4:1 and 6.8:1 respectively.

3 Management Discussion and Analysis

3.6 Prospects

In the second half of 2021, the COVID-19 will remain severe globally, while the world economic recovery in countries or regions will see different trends. As the probability of monetary policy returning to normal is expected to increase, there will be challenges to keep financial stability, and China will still be under the pressure of an unbalanced and unstable economic recovery. Adhering to the general tone of pursuing progress while ensuring stability, the Chinese government will continue to focus on Pandemic prevention and control, adhere to the strategy of expanding domestic demand, scientifically and effectively implement macro policies, vigorously promote reform and innovation, continue to expand the opening up, so as to consolidate the foundation of economic recovery, keep the economy operating within a reasonable range and promote high-quality economic development. The Chinese government will also accelerate the construction of a new development pattern, strive to smooth the economic cycle, lead the optimization and upgrading of industries, and safeguard the multilateral trade system, to ensure a good start for the “14th Five-Year” Plan.

It is expected that the macro policy of China will remain stable to keep a balance between economic recovery and risk prevention. Taking into account of such lag phase of cross-cycle policy design and the risk exposure, there are still uncertainties in the financial sector. It is expected that the non-performing loans of commercial banks will continue to increase, the risk exposure of non-bank financial institutions such as trusts will accelerate, and the disposal of small and medium financial institutions with high risks will accelerate. The delisting of stocks will become normal, the default of real estate enterprises and municipal investment companies will increase, and defaults in bond markets will maintain at a relatively high scale. The performance among corporations in real economy sector will see divergences, which will accelerate the market clearing. In terms of providing custody service and assistance with high-risk institutions, relief with capital market, and assisting corporate bankruptcy and reorganization, AMCs will play a more important role, which, at the same time, higher requirements on the professional operation ability, supporting system and mechanism, and human resources reserve will be higher among the market players.

3 Management Discussion and Analysis

By continuing to fully enforce the principles of 19th National Congress of CPC, the second, third, fourth and fifth plenary sessions of the 19th CPC Central Committee, and the spirits of the Central Economic Work Conference, the Company will adhere to its differentiated positioning in the financial system, reshape the development model, and give full play to the core functions of disposal of distressed assets. Under the principles of “adhering to principal business and preventing risks”, and by adhering to the high-quality development ideas of “professional operation, efficiency first and value creation”, the Company will focus on its principal business, accelerate the transformation to an alternative investment bank, continuously improve its capacity of providing financial risk solutions, so as to earnestly perform its professional duties in preventing and mitigating financial risks and building a new development pattern. First, the Company will continue to strengthen and optimize its traditional principal business of distressed assets, while accelerating the expansion of alternative investment banking business. By focusing on the business opportunities in financial risk areas such as disposal of distressed assets from banks, risk mitigation of small and medium-sized banks, providing custody service and assistance to high-risk institutions, the Company will expand the acquisition channels, enrich the disposal methods, and improve the active investment ability, so as to continuously consolidate its leading position in the distressed assets industry. By cultivating professional capabilities in investment banking and financial advisory business, the Company will extend its business chain in disposal of distressed assets, so as to improve the quality and efficiency of its principal business operations and core competitiveness. Second, the Company will continue to promote the optimization and upgrading of business models to build a sound ecology for distressed assets business. The Company will continue to improve its business model, optimize its business structure and improve its business quality by means of steadily promoting the asset management business and actively exploring a fund-based and product-based asset management model; forming a diversified business model that adapts to the sustainable development by focusing on connecting various businesses on the basis of value enhancement; strengthening its customer base and promoting the sustainable and healthy development of the Group’s principal businesses to achieve effective synergy within the Group. Third, the Company will insist on sound and compliant management and further promote market-oriented reform. To this end, it will enhance corporate governance by strengthening Party building; ensure legal and compliant operation by strengthening compliance and internal control management; promote foresighted and active risk management by comprehensively strengthening the construction of the Group’s risk management system; ensure the safety of the Group’s liquidity by consolidating and expanding a diversified debt financing system and strengthening the intensive capital management of the Group; optimize the resource allocation of its principal business by deepening the reform of the assessment system; create an advanced corporate culture by strengthening talent introduction and improving the staffs’ capabilities; strive to improve the Group’s digital operation capability by accelerating the construction of “Digital Cinda”.

4 Changes in Share Capital and Information on Substantial Shareholders

4.1 Changes in Ordinary Share Capital

As at June 30, 2021, there was no change in the ordinary share capital of the Company compared to December 31, 2020, 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, 2021, the following persons had, or were deemed to have, an interest or short position in the shares and underlying shares which have been recorded in the register kept by the Company under the Section 336 of the 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	860,109,632	H Shares	Long position	2.25	6.34
	Interest of controlled corporation	860,294,943	H Shares	Short position	2.25	6.34

4 Changes in Share Capital and Information on Substantial Shareholders

Note:

- (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 February 3, 2021, DBS Bank Ltd. directly held 860,109,632 H Shares (Long position) and 860,294,943 H Shares (Short position) in the Company. As DBS Bank Ltd. is a controlled corporation of DBS Group Holdings Ltd, DBS Group Holdings Ltd is therefore deemed to be interested in 860,109,632 H Shares (Long position) and 860,294,943 H Shares (Short position) in the Company held by DBS Bank Ltd.

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

At the 2021 first extraordinary general meeting, the 2021 first class meeting for Domestic Shareholders, the 2021 first class meeting for H Shareholders and the 2021 first class meeting for Existing Preference Shareholders, the proposal in relation to the issuance of offshore preference shares by the Company was considered and approved. In June 2021, the Company has received the approval from the CBIRC on the issuance of preference shares of no more than RMB18 billion (inclusive) or its equivalent in the offshore market. For details, please refer to the relevant announcement of the Company dated June 23, 2021.

During the Reporting Period, save as disclosed above, 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, 2021, 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 (%)
The Bank of New York Depository (Nominees) Limited	Foreign legal Person	Offshore Preference Shares	-	160,000,000	100.0

Note: Particulars of shareholding of preference shareholders were based on the information set out in the register of preference shareholders kept by the Company. Based on the information available to the Company, the register of preference shareholders presented the information on proxies of placees.

4.3.3 Dividend Distribution of Preference Shares

Subject to the terms and conditions of the issuance of Offshore Preference Shares, each 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 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 4.45% per annum, and thereafter at the relevant reset dividend rate.

The dividend distribution plan of Offshore Preference Shares was considered and approved at the 2021 third meeting of the Board, approving the Company to distribute dividends of Offshore Preference Shares on September 30, 2021, at the rate of 4.45% per annum (after tax). The total amount of dividend is USD142.4 million (after tax). For details of the dividend distribution of Offshore Preference Shares, please refer to the relevant announcement of the Company dated April 26, 2021.

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 the 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 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 Offshore Preference Shares shall be compulsorily converted to H Shares at the initial conversion price, the number will be 7,412,441,791 H Shares.

The proposal on the redemption of the Offshore Preference Shares issued in 2016 was considered and approved at the 2021 third meeting of the Board, approving the redemption by the Company of all of the Offshore Preference Shares upon obtaining the approval from the CBIRC and satisfying all relevant redemption conditions. The Company has received the reply letter from the CBIRC with no objections, and intends to redeem all of the Offshore Preference Shares on September 30, 2021 pursuant to the terms and conditions of the Offshore Preference Shares. The aggregate redemption price equals to the sum of USD3,200 million as the aggregate amount of the liquidation preference of the Offshore Preference Shares and the dividends to be paid to the holders of the Offshore Preference Shares in an amount of USD142.4 million, a total of USD3,342.4 million. For details, please refer to the relevant announcements of the Company dated June 29, 2021 and August 11, 2021.

During the Reporting Period, save as disclosed above, the Company did not redeem or convert any Offshore 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 Offshore Preference Shares, the Company classifies Offshore Preference Shares as equity instruments. Fee, commission and other transaction costs arising from the issuance of Offshore Preference Shares are deducted from equity. The dividends on 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 Zi'ai (Chairman) and Mr. Zhang Weidong as executive Directors, Mr. He Jieping, Mr. Xu Long, Mr. Wang Shaoshuang, Ms. Zhang Yuxiang, Mr. Zhang Guoqing and Mr. Liu Chong as non-executive Directors and Mr. Zhu Wuxiang, Mr. Sun Baowen, Mr. Lu Zhengfei and Mr. Lam Chi Kuen as independent non-executive Directors.

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. Zhang Zheng, Mr. Zhen Qinggui and Mr. Cai Xiaoqiang as external Supervisors, Ms. Gong Hongbing, Mr. Lu Baoxing and Mr. Yuan Liangming as employee Supervisors.

Senior Management

As at the date of this report, the Senior Management consisted of Mr. Zhang Weidong as President, Mr. Liu Ligeng, Mr. Hu Jiliang, Mr. Zhao Limin and Mr. Li Hongjiang as Vice Presidents, 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 March 2021, Mr. Liu Chong had ceased to be the deputy chairman of China International Marine Containers (Group) Co., Ltd.

Mr. Sun Baowen has been serving as an independent director of Yonghui Superstores Co., Ltd. since May 2021, and an independent director of North Navigation Control Technology Co., Ltd. since June 2021.

Since June 2021, Mr. Lam Chi Kuen has been serving as the independent director of China Life Insurance Company Limited.

On September 8, 2021, the 2021 seventh meeting of the Board has nominated Mr. Chen Xiaowu as a non-executive Director. As at the date of this report, Mr. Chen Xiaowu shall begin to assume office upon the approval at the general meeting and the approval of his qualification by the CBIRC.

Except for the above changes, the information regarding the appointments of Directors is consistent with the information disclosed in the 2020 annual report of the Company, and there is no other change on the information which shall be disclosed pursuant to Rule 13.51B(1) of the Hong Kong Listing Rules.

5 Directors, Supervisors and Senior Management

Supervisors

During the Reporting Period, Mr. Lu Baoxing served as the general manager of the asset preservation department of the Company and ceased to be the director of the board of supervisors' office of the Company.

As elected at the 2021 second extraordinary general meeting, Mr. Zhen Qinggui and Mr. Cai Xiaoqiang have served as the external Supervisors since August 27, 2021.

Since August 27, 2021, Ms. Liu Yanfen and Mr. Li Chun had ceased to be the external Supervisors due to expiry of term of office.

Except for the above changes, the information regarding the appointments of Supervisors is consistent with the information disclosed in the 2020 annual report of the Company and the announcement of the Company dated August 9, 2021, 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

As appointed at the 2021 first meeting and the first regular meeting of the Board and approved by the CBIRC, Mr. Zhao Limin and Mr. Li Hongjiang have been serving as the Vice Presidents of the Company since May 20, 2021.

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, keeps improving the mechanism and system for corporate governance and the modernization level of its governance capacity. The Company perfects the comprehensive risk management system while enhancing risk management informatization. The Company gives full play to the assessment mechanism for internal control, deepens the concept of compliance operation and ensures the bottom line of compliance, thus moving toward high-quality development.

During the Reporting Period, the Company made solid progress in making information disclosure. By complying with the regulatory requirements of the listing place, the Company perfected the workflow to improve the timeliness and effectiveness of information disclosure, to keep shareholders well informed. The Company increased attention to the investor relationship management by making multi-level and multi-form communication channels unimpeded in response to market concerns, strengthened the promotion of industry and corporate values to maintain a good market image.

General Meeting

During the Reporting Period, the Company held the 2020 annual general meeting in Beijing on June 25, 2021, at which nine resolutions were reviewed and approved, including the work report of the Board for 2020, the report of the Board of Supervisors for 2020, the remuneration settlement scheme for Directors for 2019, the remuneration settlement scheme for Supervisors for 2019, the final financial account plan for 2020, the profit distribution plan for 2020, the budget of investment in capital expenditure for 2021, the appointment of accounting firms for 2021, and the granting of general mandate to issue additional H-shares to the Board. The granting of general mandate to issue additional H Shares to the Board was a special resolution. The work report of the independent non-executive Directors for 2020 was also received at the annual general meeting but not for approval.

The Company held the 2021 first extraordinary general meeting, the 2021 first class meeting for Domestic Shareholders, the 2021 first class meeting for H Shareholders and the 2021 first class meeting for Existing Preference Shareholders on February 2, 2021, at which the special resolution on the non-public issuance of offshore preference shares was reviewed 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 the relevant meetings and the Company published announcements regarding the poll results of the general meetings according to the regulatory requirements in a timely manner.

Board

As at 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.

During the Reporting Period, the Board held a total of four meetings, at which 32 resolutions were reviewed and approved, including the final financial account plan for 2020, the profit distribution plan for 2020, the 2020 annual report (2020 annual results announcement), risk appetite statement of the Group (2021), 2020 corporate social responsibility report, the remuneration settlement scheme of Senior Management for 2019, the remuneration settlement scheme for Directors for 2019, the comprehensive business plan of the Group for 2021, the risk management policy of the Group for 2021, the outline for the strategic development plan of the Company (2021-2025) and the outline for informatization plan of the Company (2021-2025).

During the Reporting Period, based on the macroeconomic environment and the Company's actual development, the Board formulated the outline for the strategic development plan of the Company (2021-2025), defining the direction of the Company's high-quality development. Adhering to the new development philosophy, the Board strengthened sound operation while forestalling risks, consolidated assets quality with the focus on leveraging the professional advantages in distressed assets management, supported the supply-side structural reform to serve the real economy, and played a due role in forestalling and defusing financial risks.

Board of Supervisors

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

6 Significant Events

The Board of Supervisors duly performs its supervision duties and diligently considers and reviews relevant proposals. During the Reporting Period, the Board of Supervisors convened two meetings, considered and approved 10 resolutions, including, among others, the annual work plan of the Board of Supervisors for 2021, the final financial account plan for 2020, the profit distribution plan for 2020, the internal control evaluation report for 2020, the report on the due diligence of Directors, Supervisors and Senior Management for 2020, the report of the Board of Supervisors for 2020, the 2020 annual report, and the focus of due diligence supervision on Directors and Senior Management for 2021.

During the Reporting Period, in response to the regulatory requirements and the new situation faced by the Company's development, the Board of Supervisors completed the following work to promote the Company's development: focused on improving the effectiveness and earnestly performed its duties of supervision, conducted regular supervision in compliance with laws and regulations and carried out targeted key supervision, concentrated on the implementation of regulatory opinions, the quality of operation and development, risk management and internal control, etc., and further consolidated the functions of the Board of Supervisors.

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 and innovated 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 set out in 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 2021, the Company further improved the relevant internal control system and consolidated the foundation of internal control. The Company revised the Basic Regulations for Internal Control to strengthen the internal control responsibility of all levels and reinforce supervision over each business line, which improved the internal control mechanism for the first line of defense and reinforced the overall quality and efficiency in internal control. The Company formulated the Measures for Screening Abnormal Behaviors of Employees to improve the management of staff behaviors, and provided management tools to eliminate case risks and prevent financial crimes. The Company carried out system re-inspection and formulated annual system construction plans based on regulatory requirements, to ensure that the system was fully applicable within the Company.

In the first half of 2021, the Company improved the accountability system for compliance assessment and continued to promote compliance risk management. The Company optimized the assessment indicators of internal control compliance covering the headquarters, branches and subsidiaries, to improve the standardization and scientificity of assessment. The Company refined the accountability mechanism, focused on the non-compliance issues identified by the regulatory authorities, strengthened accountability, duty fulfillment and liability exemption, and intensified supervision over the accountability of certain units. Focusing on the long-term mechanism of compliance management and problem rectification, the Company promoted the closed-loop management of the entire process of compliance, to further improve the compliance operation capability.

6 Significant Events

6.4 Internal Audit

The Company has implemented an 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 2021, 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 focused on business operation, internal control, finance and risk management, and conducted regular audits on certain branches; implemented regulatory requirements, and completed special audits such as the write-off of bad debts and the liquidation of certain institutions; conducted the economic responsibility audit of certain middle and senior management of the Company, and strengthened the supervision over the performance of cadres; carried out internal control evaluation for 2020, completed the internal control evaluation report, and reported the problems found in the evaluation to supervise the rectification; promoted and improved the construction of internal audit system, facilitated the construction of internal audit information system, strengthened the construction of internal audit team, and continuously promoted the improvement and development of 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 reviewed 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 2020 annual general meeting held on June 25, 2021, the cash dividends for 2020 would be distributed by the Company to all holders of ordinary shares at RMB1.041 (tax inclusive) per 10 shares, representing total cash dividends of approximately RMB3.973 billion. On August 20, 2021, the Company distributed cash dividends of RMB1.041 per 10 Shares (tax inclusive) to all holders of ordinary shares whose names appear on the register of members on July 6, 2021. No interim dividend will be declared for 2021 by the Company and no capital reserves will be converted to the share capital of the Company.

Details of the Company's dividend on Offshore Preference Shares for 2021 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

Details of the proposed redemption of the Offshore Preference Shares are set out in “Changes in Share Capital and Information on Substantial Shareholders” – “Preference Shares” in this report.

During the Reporting Period, save as disclosed above, 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 and is no less lenient than the Model Code for Securities Transactions by Directors of Listed Companies in Appendix 10 to the Hong Kong Listing Rules. The Company has made enquiries to all Directors and Supervisors who confirmed that they had complied with such code and the requirements set out there during the Reporting Period.

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

As at June 30, 2021, 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 Companies in Appendix 10 to the Hong Kong Listing Rules.

6.15 Review of Interim Report

The interim condensed consolidated financial statements for 2021 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 reviewed and approved by the Board and the Audit Committee.

6.16 Statement for Changes of Auditors in the Preceding Three Years

The 2020 annual general meeting held on June 25, 2021 approved the re-appointment of Ernst & Young Hua Ming LLP and Ernst & Young (collectively, “Ernst & Young”) as the domestic and international auditors for 2021, 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 2021. As at June 30, 2021, Ernst & Young had been providing audit services for the Company for six 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, 2021

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Report on Review of Interim Condensed Consolidated Financial Statements



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

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

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

Introduction

We have reviewed the interim condensed consolidated financial statements of China Cinda Asset Management Co., Ltd. (the “Company”) and its subsidiaries (collectively referred to as the “Group”), which comprise the interim condensed consolidated statement of financial position as at June 30, 2021, the related interim condensed consolidated statement of profit or loss, statement of comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim condensed consolidated financial statements to be in compliance with the relevant provisions thereof and International Accounting Standard 34 “Interim Financial Reporting” (“IAS 34”) issued by the International Accounting Standards Board.

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

Scope of Review

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

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 27, 2021

Interim Condensed Consolidated Statement of Profit or Loss

For the six months ended June 30, 2021
(Amounts in thousands of RMB, unless otherwise stated)

	Notes IV	For the six months ended June 30,	
		2021 (Unaudited)	2020 (Unaudited)
Continuing operations			
Income from distressed debt assets at amortized cost	1	7,612,503	9,105,570
Fair value changes on distressed debt assets	2	8,272,908	7,474,182
Fair value changes on other financial instruments	3	4,770,635	2,343,556
Investment income	4	78,778	317,483
Interest income	5	12,055,581	12,013,757
Revenue from sales of inventories	6	4,534,356	9,659,230
Commission and fee income	7	2,462,233	2,096,375
Net gains on disposal of subsidiaries, associates and joint ventures	8	282,269	1,197,216
Other income and other net gains or losses	9	1,332,301	1,612,494
Total		41,401,564	45,819,863
Interest expense	10	(20,362,418)	(19,922,104)
Employee benefits		(3,133,968)	(2,532,580)
Purchases and changes in inventories	6	(3,841,255)	(6,366,150)
Commission and fee expense		(296,329)	(296,774)
Taxes and surcharges		(267,411)	(245,732)
Depreciation and amortization expenses		(1,026,562)	(1,000,680)
Other expenses		(1,486,700)	(1,174,072)
Impairment losses on assets	11	(3,179,382)	(4,598,626)
Total		(33,594,025)	(36,136,718)

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

Interim Condensed Consolidated Statement of Profit or Loss

For the six months ended June 30, 2021

(Amounts in thousands of RMB, unless otherwise stated)

	Notes IV	For the six months ended June 30,	
		2021 (Unaudited)	2020 (Unaudited)
Change in net assets attributable to other holders of consolidated structured entities		5,837	(20,075)
Profit before share of results of associates and joint ventures and tax		7,813,376	9,663,070
Share of results of associates and joint ventures		1,934,347	1,050,056
Profit before tax from continuing operations		9,747,723	10,713,126
Income tax expense	12	(2,670,824)	(3,636,171)
Profit for the period from continuing operations		7,076,899	7,076,955

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

Interim Condensed Consolidated Statement of Profit or Loss

For the six months ended June 30, 2021
(Amounts in thousands of RMB, unless otherwise stated)

	Notes IV	For the six months ended June 30,	
		2021 (Unaudited)	2020 (Unaudited)
Discontinued operation			
Profit after tax for the period from a discontinued operation	55	–	268,669
Profit for the period		7,076,899	7,345,624
Profit attributable to:			
Equity holders of the Company		6,687,405	6,340,739
Non-controlling interests		389,494	1,004,885
		7,076,899	7,345,624
Earnings per share attributable to ordinary equity holders of the Company (Expressed in RMB Yuan per share)	13		
– Basic		0.15	0.17
– Diluted		0.15	0.17
Earnings per share attributable to ordinary equity holders of the Company from continuing operations (Expressed in RMB Yuan per share)	13		
– Basic		0.15	0.16
– Diluted		0.15	0.16

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

Interim Condensed Consolidated Statement of Comprehensive Income

For the six months ended June 30, 2021

(Amounts in thousands of RMB, unless otherwise stated)

	For the six months ended June 30,	
	2021 (Unaudited)	2020 (Unaudited)
Profit for the period	7,076,899	7,345,624
Other comprehensive income		
Items that may be reclassified subsequently to profit or loss:		
Fair value changes on debt instruments at fair value through other comprehensive income		
Fair value changes arising during the period	123,693	(176,684)
Amounts reclassified to profit or loss upon disposal	(90,372)	(17,669)
Amounts of profit or loss upon impairment	16,925	23,627
	50,246	(170,726)
Exchange differences arising on translation of foreign operations	(479,151)	318,100
Share of other comprehensive income of associates and joint ventures	(144,619)	(13,608)
Subtotal	(573,524)	133,766

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

Interim Condensed Consolidated Statement of Comprehensive Income

For the six months ended June 30, 2021
(Amounts in thousands of RMB, unless otherwise stated)

	For the six months ended June 30,	
	2021 (Unaudited)	2020 (Unaudited)
Items that will not be reclassified subsequently to profit or loss:		
Fair value changes on equity instruments designated as at fair value through other comprehensive income	91,284	(715,593)
Subtotal	91,284	(715,593)
Other comprehensive income for the period, net of income tax	(482,240)	(581,827)
Total comprehensive income for the period	6,594,659	6,763,797
Total comprehensive income attributable to:		
Equity holders of the Company	6,221,545	5,929,853
Non-controlling interests	373,114	833,944
	6,594,659	6,763,797

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

Interim Condensed Consolidated Statement of Financial Position

As at June 30, 2021

(Amounts in thousands of RMB, unless otherwise stated)

	Notes IV	As at June 30, 2021 (Unaudited)	As at December 31, 2020 (Audited)
Assets			
Cash and balances with central banks	15	13,493,410	15,375,048
Deposits with banks and financial institutions	16	108,232,354	87,953,563
Deposits with exchanges and others		2,186,019	1,946,984
Placements with banks and financial institutions	17	23,471,087	19,909,505
Financial assets at fair value through profit or loss	18	453,928,901	446,916,674
Financial assets held under resale agreements	19	88,453,904	36,241,153
Financial assets at fair value through other comprehensive income	20	120,099,384	123,728,468
Loans and advances to customers	21	366,580,141	353,456,297
Financial assets at amortized cost	22	209,936,239	220,232,956
Accounts receivable	23	3,635,023	3,255,410
Properties held for sale	24	53,989,678	48,892,723
Investment properties	25	9,638,164	9,180,878
Interests in associates and joint ventures		72,298,867	70,502,660
Property and equipment	28	16,494,751	17,224,542
Goodwill	29	21,796,415	22,043,558
Other intangible assets		3,645,083	3,801,384
Deferred tax assets	30	9,513,315	8,989,874
Other assets	31	26,850,658	28,431,971
Total assets		1,604,243,393	1,518,083,648

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

Interim Condensed Consolidated Statement of Financial Position

As at June 30, 2021

(Amounts in thousands of RMB, unless otherwise stated)

	Notes IV	As at June 30, 2021 (Unaudited)	As at December 31, 2020 (Audited)
Liabilities			
Borrowings from the central bank	32	1,025,910	986,058
Accounts payable to brokerage clients		16,489,507	16,583,847
Financial liabilities at fair value through profit or loss	33	5,925,168	7,276,909
Financial assets sold under repurchase agreements	34	24,346,923	15,990,678
Placements from banks and financial institutions	35	12,800,045	14,044,334
Borrowings	36	579,614,654	556,912,148
Due to customers	37	296,068,592	273,644,174
Deposits from banks and financial institutions	38	14,477,174	15,542,184
Accounts payable	39	5,039,713	4,886,693
Tax payable		3,263,136	4,751,823
Bonds issued	40	380,668,477	355,777,530
Contract liabilities	41	23,164,548	14,855,727
Deferred tax liabilities	30	2,385,967	2,412,778
Other liabilities	42	43,138,929	39,376,345
Total liabilities		1,408,408,743	1,323,041,228

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

Interim Condensed Consolidated Statement of Financial Position

As at June 30, 2021

(Amounts in thousands of RMB, unless otherwise stated)

	Notes IV	As at June 30, 2021 (Unaudited)	As at December 31, 2020 (Audited)
Equity			
Share capital	43	38,164,535	38,164,535
Other equity instruments	44	21,281,215	21,281,215
Capital reserve	45	19,901,790	20,409,660
Other comprehensive income	46	(1,703,274)	(1,237,414)
Surplus reserve		8,948,922	8,948,922
General reserve	47	16,380,109	15,665,320
Retained earnings		69,849,106	68,876,486
Equity attributable to equity holders of the Company		172,822,403	172,108,724
Non-controlling interests		23,012,247	22,933,696
Total equity		195,834,650	195,042,420
Total equity and liabilities		1,604,243,393	1,518,083,648

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

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



CHAIRMAN



PRESIDENT

Interim Condensed Consolidated Statement of Changes in Equity

For the six months ended June 30, 2021
(Amounts in thousands of RMB, unless otherwise stated)

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

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

Interim Condensed Consolidated Statement of Changes in Equity

For the six months ended June 30, 2021

(Amounts in thousands of RMB, unless otherwise stated)

	(Unaudited)										
	Equity attributable to equity holders of the Company									Non-controlling interests	Total
	Share capital (Note IV.43)	Other equity instruments (Note IV.44)	Capital reserve (Note IV.45)	Other			Retained earnings	Subtotal			
				comprehensive income (Note IV.46)	Surplus reserve	General reserve (Note IV.47)					
As at January 1, 2020	38,164,535	21,281,215	20,239,333	(35,688)	8,510,147	15,961,421	60,777,160	164,898,123	23,512,338	188,410,461	
Profit for the period	-	-	-	-	-	-	6,340,739	6,340,739	1,004,885	7,345,624	
Other comprehensive income for the period	-	-	-	(410,886)	-	-	-	(410,886)	(170,941)	(581,827)	
Total comprehensive income for the period	-	-	-	(410,886)	-	-	6,340,739	5,929,853	833,944	6,763,797	
Capital contribution from non-controlling interests of subsidiaries	-	-	43,069	-	-	-	-	43,069	1,290,431	1,333,500	
Acquisition of additional interests in a subsidiary	-	-	117,339	-	-	-	-	117,339	(172,274)	(54,935)	
Amounts reversed from the general reserve	-	-	-	-	-	(331,032)	331,032	-	-	-	
Dividends recognized as distribution	-	-	-	-	-	-	(3,915,681)	(3,915,681)	-	(3,915,681)	
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	(279,111)	(279,111)	
Dividends paid to capital securities	-	-	-	-	-	-	-	-	(210,942)	(210,942)	
Share of associates' equity changes other than comprehensive income and distribution	-	-	127,258	-	-	-	-	127,258	-	127,258	
As at June 30, 2020	38,164,535	21,281,215	20,526,999	(446,574)	8,510,147	15,630,389	63,533,250	167,199,961	24,974,386	192,174,347	

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

Interim Condensed Consolidated Statement of Cash Flows

For the six months ended June 30, 2021
(Amounts in thousands of RMB, unless otherwise stated)

	For the six months ended June 30,	
	2021 (Unaudited)	2020 (Unaudited)
OPERATING ACTIVITIES		
Profit before tax from continuing operations	9,747,723	10,713,126
Profit before tax from a discontinued operation	–	296,520
Adjustments for:		
Impairment losses on assets	3,179,382	4,599,434
Depreciation of property and equipment, investment properties and right-of-use assets	837,203	814,760
Amortization of intangible assets and other long-term assets	189,359	185,920
Share of results of associates and joint ventures	(1,934,347)	(1,063,003)
Net gains on disposal of property and equipment, investment properties and other intangible assets	(70,647)	(42,502)
Net gains on disposal of subsidiaries, associates and joint ventures	(282,269)	(1,197,216)
Fair value changes on financial assets	(5,451,848)	(3,628,271)
Investment income	(80,277)	(543,349)
Interest income	(1,260,569)	(4,412,016)
Borrowing costs	7,969,566	8,686,070
Change in reserves for insurance contracts	–	(3,350,477)

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

Interim Condensed Consolidated Statement of Cash Flows

For the six months ended June 30, 2021

(Amounts in thousands of RMB, unless otherwise stated)

	For the six months ended June 30,	
	2021 (Unaudited)	2020 (Unaudited)
Operating cash flows before movements in working capital	12,843,276	11,058,996
Increase in balances with central banks and deposits with banks and financial institutions	(4,600,117)	(1,400,763)
(Increase)/decrease in financial assets at fair value through profit or loss	(12,568,730)	12,456,338
(Increase)/decrease in placements with banks and financial institutions	(1,887,851)	726,157
Decrease/(increase) in financial assets held under resale agreements	262,251	(492,770)
Decrease/(increase) in financial assets at amortized cost	8,914,944	(8,621,387)
Increase in loans and advances to customers	(14,142,183)	(13,224,045)
Increase in accounts receivable	(483,389)	(29,229)
(Increase)/decrease in properties held for sale	(3,214,472)	3,523,695
Increase in due to customers and deposits from banks and financial institutions	21,359,408	3,693,746
(Decrease)/increase in accounts payable to brokerage clients	(94,340)	2,464,822
Increase/(decrease) in financial assets sold under repurchase agreements	8,548,329	(4,518,807)
Increase/(decrease) in borrowings	32,021,876	(1,139,569)
Increase/(decrease) in accounts payable	153,020	(1,234,045)
Increase/(decrease) in contract liabilities	8,308,821	(1,897,565)
Decrease in other operating assets	3,437,617	7,272,761
Increase/(decrease) in other operating liabilities	7,218,397	(14,154,418)
Cash inflow/(outflow) from operations	66,076,857	(5,516,083)
Income taxes paid	(3,763,903)	(3,695,438)
NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES	62,312,954	(9,211,521)

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

Interim Condensed Consolidated Statement of Cash Flows

For the six months ended June 30, 2021
(Amounts in thousands of RMB, unless otherwise stated)

	For the six months ended June 30,	
	2021 (Unaudited)	2020 (Unaudited)
INVESTING ACTIVITIES		
Cash receipts from disposals and recovery of investment securities	72,627,070	113,006,245
Dividends received from investment securities	6,424,805	4,672,592
Dividends received from associates and joint ventures	98,542	357,710
Interest received from investment securities	1,260,569	1,985,129
Cash receipts from disposals of property and equipment, investment properties and other intangible assets	80,509	73,795
Net cash flows from disposals of subsidiaries	1,537	–
Net cash flows from disposals of associates and joint ventures	1,146,553	1,582,250
Cash payments to acquire investment securities	(80,107,340)	(114,598,104)
Net cash inflows due to acquisition of subsidiaries	179,802	–
Net cash flows from consolidated structured entities	(82,347)	(741,405)
Cash payments for purchase of property and equipment, investment properties and other intangible assets	(545,375)	(4,036,817)
Cash payments for establishment and acquisition of interests in associates and joint ventures	(2,253,147)	(168,801)
NET CASH (OUTFLOW)/INFLOW FROM INVESTING ACTIVITIES	(1,168,822)	2,132,594

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

Interim Condensed Consolidated Statement of Cash Flows

For the six months ended June 30, 2021

(Amounts in thousands of RMB, unless otherwise stated)

	For the six months ended June 30,	
	2021 (Unaudited)	2020 (Unaudited)
FINANCING ACTIVITIES		
Capital contribution from non-controlling interests of subsidiaries of the Company	–	1,333,500
Cash payment to acquire additional interests in subsidiaries	(17,051)	(54,935)
Cash receipts from borrowings raised	18,256,447	15,112,083
Cash receipts from bonds issued	92,824,957	83,027,690
Cash repayments of borrowings	(29,749,214)	(16,502,931)
Cash repayments of bonds	(65,701,810)	(50,783,199)
Interest expenses on borrowings and bonds	(8,696,473)	(9,009,071)
Dividends paid to non-controlling interests of subsidiaries	(199,518)	(489,373)
Cash payments for other financing activities	(455,922)	(559,434)
NET CASH INFLOW FROM FINANCING ACTIVITIES	6,261,416	22,074,330

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

Interim Condensed Consolidated Statement of Cash Flows

For the six months ended June 30, 2021
(Amounts in thousands of RMB, unless otherwise stated)

	Notes IV	For the six months ended June 30,	
		2021 (Unaudited)	2020 (Unaudited)
NET INCREASE IN CASH AND CASH EQUIVALENTS		67,405,548	14,995,403
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD		120,733,347	82,749,337
Effect of foreign exchange changes		(1,469,386)	1,607,962
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	48	186,669,509	99,352,702
Net cash flows from operating activities include:			
Interest received		10,795,012	8,104,148
Interest paid		12,387,015	11,398,344

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

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2021

(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, 2021, the MOF directly owned 58.00% of the share capital of the Company.

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

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

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

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2021
(Amounts in thousands of RMB, unless otherwise stated)

II. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

1. Basis of preparation

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

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

The interim condensed consolidated financial statements of the Group do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Group’s consolidated financial statements for the year ended December 31, 2020.

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

2. Principal accounting policies

Except as described below, the accounting policies and methods of computation used in the interim condensed consolidated financial statements for the six months ended June 30, 2021 are the same as those followed in the preparation of the Group’s consolidated financial statements for the year ended December 31, 2020.

3. Standards and amendments effective in 2021

In the current interim period, the Group has applied the following amendments to IFRSs that are effective for the Group’s annual period beginning on January 1, 2021.

IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Amendments	Interest Rate Benchmark Reform Phase 2
IFRS 16 Amendments	Covid-19-Related Rent Concessions beyond 30 June 2021

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

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2021

(Amounts in thousands of RMB, unless otherwise stated)

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

4. Standards and amendments that are not yet effective in 2021

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

		Effective for annual periods beginning on or after
IFRS 3 Amendments	Reference to the Conceptual Framework	January 1, 2022
IAS 16 Amendments	Property, Plant and Equipment: Proceeds before Intended Use	January 1, 2022
IAS 37 Amendments	Onerous Contracts – Costs of Fulfilling a Contract	January 1, 2022
IAS 1 Amendments	Classification of Liabilities as Current or Non-current	January 1, 2023
IFRS 17 and Amendments	Insurance Contracts	January 1, 2023
IAS 8 Amendments	Definition of Accounting Estimates	January 1, 2023
IAS 1 and IFRS Practice Statement 2 Amendments	Disclosure of Accounting Policies	January 1, 2023
IAS 12 Amendments	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	January 1, 2023
IFRS 10 and IAS 28 Amendments	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Effective date has been deferred indefinitely
Annual Improvements to IFRSs 2018-2020 Cycle (issued in May 2020)		January 1, 2022

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

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2021
(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, 2020.

IV. EXPLANATORY NOTES

1. Income from distressed debt assets at amortized cost

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

For the six months ended June 30, 2021, the net gain on the derecognition of distressed debt assets at amortized cost was RMB591 million (For the six months ended June 30, 2020: nil).

2. Fair value changes on distressed debt assets

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

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

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2021

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

3. Fair value changes on other financial instruments

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

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

For the six months ended June 30, 2021 and 2020, the fair value changes on financial liabilities at fair value through profit or loss were insignificant.

	For the six months ended June 30,	
	2021 (Unaudited)	2020 (Unaudited)
Financial instruments classified as at fair value through profit or loss	4,770,635	2,343,556
Total	4,770,635	2,343,556

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2021
(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

4. Investment income

	For the six months ended June 30,	
	2021 (Unaudited)	2020 (Unaudited)
Net realized gains/(losses) on disposal of		
– Financial assets at fair value through other comprehensive income	74,932	312,720
– Loans and advances to customers at amortized cost	(1,499)	(5,161)
– Other debt assets at amortized cost (1)	–	3,544
Dividend income from		
– Financial assets at fair value through other comprehensive income	1,037	1,311
Others	4,308	5,069
Total	78,778	317,483

- (1) For the six months ended June 30, 2021, there was no income from derecognition of other debt assets at amortized cost (for the six months ended June 30, 2020, all the net gains recognized from derecognition of other debt assets at amortized cost resulted from disposing of bonds).

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2021

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

5. Interest income

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

	For the six months ended June 30,	
	2021 (Unaudited)	2020 (Unaudited)
Loans and advances to customers		
– Corporate and personal loans and advances	6,296,150	6,819,665
– Finance lease receivables	1,534,431	1,192,485
– Loans to margin clients	331,161	264,677
Other debt investments at amortized cost	1,233,689	1,079,578
Financial assets at fair value through other comprehensive income	1,145,349	1,477,743
Financial assets held under resale agreements	668,085	111,091
Deposits with banks and financial institutions	632,454	735,765
Placements with banks and financial institutions	111,298	205,278
Others	102,964	127,475
Total	12,055,581	12,013,757

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2021
(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

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

	For the six months ended June 30,	
	2021 (Unaudited)	2020 (Unaudited)
Revenue from sales of inventories	4,534,356	9,659,230
Purchases and changes in inventories	(3,841,255)	(6,366,150)
Including:		
Revenue from sales of properties held for sale	4,277,566	9,564,783
Purchases and changes in properties held for sale	(3,594,817)	(6,275,377)
Gross profit from sales of properties held for sale	682,749	3,289,406
Revenue from other trading operations	256,790	94,447
Purchases and changes in inventories of other trading operations	(246,438)	(90,773)
Gross profit from other trading operations	10,352	3,674

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

	For the six months ended June 30,	
	2021 (Unaudited)	2020 (Unaudited)
Revenue recognized at a point in time		
Sales of properties held for sale	4,277,566	9,564,783

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2021

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

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

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

	For the six months ended June 30,	
	2021 (Unaudited)	2020 (Unaudited)
Amounts expected to be recognised as revenue:		
Within one year	15,817,144	12,978,398
After one year	7,188,208	5,635,796
Total	23,005,352	18,614,194

7. Commission and fee income

	For the six months ended June 30,	
	2021 (Unaudited)	2020 (Unaudited)
Securities and futures brokerage	632,329	550,910
Fund and asset management business	469,854	353,599
Agency business	414,835	322,216
Banking business	387,094	461,448
Trustee services	205,063	167,860
Consultancy and financial advisory services	123,169	80,232
Securities underwriting	81,808	122,705
Others	148,081	37,405
Total	2,462,233	2,096,375

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2021
(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

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

	For the six months ended June 30,	
	2021 (Unaudited)	2020 (Unaudited)
Net gains on disposal of subsidiaries	6,281	–
Net gains on disposal of associates and joint ventures	275,988	1,197,216
Total	282,269	1,197,216

9. Other income and other net gains or losses

	For the six months ended June 30,	
	2021 (Unaudited)	2020 (Unaudited)
Income from liquidated damages	564,455	161,512
Rental income	431,774	366,364
Revenue from hotel operation	205,995	61,726
Revenue from property management business	159,475	144,243
Net gains on disposal of other assets	70,647	43,708
Government grants and compensation	43,996	63,472
Net gains on exchange differences	(365,466)	700,740
Others	221,425	70,729
Total	1,332,301	1,612,494

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2021

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

10. Interest expense

	For the six months ended June 30,	
	2021 (Unaudited)	2020 (Unaudited)
Borrowings	(11,449,236)	(10,532,423)
Bonds issued	(6,990,587)	(6,500,564)
Due to customers	(1,577,078)	(2,465,082)
Deposits from banks and financial institutions	(123,602)	(64,379)
Financial assets sold under repurchase agreements	(74,801)	(97,503)
Placements from banks and other financial institutions	(54,348)	(100,437)
Accounts payable to brokerage clients	(27,353)	(24,733)
Lease liabilities	(18,486)	(17,424)
Others	(46,927)	(119,559)
Total	(20,362,418)	(19,922,104)

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2021
(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

11. Impairment losses on assets

	For the six months ended June 30,	
	2021 (Unaudited)	2020 (Unaudited)
Financial assets at amortized cost		
– Distressed debt assets	(877,226)	(2,940,987)
– Other debt investments	(48,187)	(69,434)
Loans and advances to customers	(1,802,279)	(1,527,101)
Properties held for sales	(203,750)	(27,917)
Credit commitments	(180,448)	(84,837)
Accounts receivable	(38,489)	130,418
Property and equipment	(20,731)	–
Assets in satisfaction of debts	(14,196)	(14,496)
Financial assets at fair value through other comprehensive income	(10,709)	(19,792)
Financial assets held under resale agreements	51,246	(61,940)
Other assets	(34,613)	17,460
Total	(3,179,382)	(4,598,626)

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2021

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

12. Income tax expense

	For the six months ended June 30,	
	2021 (Unaudited)	2020 (Unaudited)
Current income tax:		
– PRC Enterprise Income Tax	(2,637,574)	(2,902,477)
– PRC Land Appreciation Tax	(109,171)	(740,556)
– Hong Kong Profits Tax	(211,578)	(219,732)
– Overseas taxation	(274)	(591)
(Underprovision)/Overprovision in prior years	(109,295)	121,022
Subtotal	(3,067,892)	(3,742,334)
Deferred income tax (Note IV.30)	397,068	106,163
Total	(2,670,824)	(3,636,171)

The statutory income tax rate applicable to PRC enterprises was 25% for the period (for the six months ended June 30, 2020: 25%).

Hong Kong Profits Tax was calculated at 16.5% (for the six months ended June 30, 2020: 16.5%) of the estimated assessable profit for the period.

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2021
(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

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

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

	For the six months ended June 30,	
	2021 (Unaudited)	2020 (Unaudited)
Earnings:		
Profit attributable to equity holders of the Company:		
Continuing operations	6,687,405	6,340,739
Discontinued operation	6,687,405	6,189,011
	–	151,728
Profit attributable to equity holders of the Company	6,687,405	6,340,739
Less: Dividends on preference shares declared	1,027,068	–
Profit attributable to ordinary equity holders of the Company	5,660,337	6,340,739
Profit attributable to ordinary equity holders of the Company from continuing operations	5,660,337	6,189,011
Number of shares:		
Weighted average number of shares in issue for the purpose of basic earnings per share (in thousand)	38,164,535	38,164,535
Weighted average number of shares in issue for the purpose of diluted earnings per share (in thousand)	38,164,535	38,164,535
Basic earnings per share (RMB Yuan)	0.15	0.17
Diluted earnings per share (RMB Yuan)	0.15	0.17
Basic earnings per share from continuing operations (RMB Yuan)	0.15	0.16
Diluted earnings per share from continuing operations (RMB Yuan)	0.15	0.16

There were no potentially dilutive shares outstanding for the six months ended June 30, 2021 and June 30, 2020.

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2021

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

14. Dividends

	For the six months ended June 30,	
	2021 (Unaudited)	2020 (Unaudited)
Final dividends of 2020	3,972,928	–
Final dividends of 2019	–	3,915,681
Dividends recognized as distribution during the period	3,972,928	3,915,681

A cash dividend of approximately RMB3,972.93 million in total for the year of 2020 was approved, after the required appropriations for the general reserve on the net profit of the Company for the year of 2020 as determined under China Accounting Standards, at the annual general meeting for 2020 held on June 30, 2021.

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2021
(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

15. Cash and balances with central banks

	As at June 30, 2021 (Unaudited)	As at December 31, 2020 (Audited)
Cash	492,496	527,358
Mandatory reserve deposits with central banks (1)	8,773,565	7,854,243
Surplus reserve deposits with central banks	1,529,028	4,405,397
Other deposits with central banks	2,698,321	2,588,050
Total	13,493,410	15,375,048
Including:		
Restricted		
– Balances with central banks	8,834,832	7,972,114

- (1) In accordance with relevant regulations, Nanyang Commercial Bank, Limited, a subsidiary of the bank operations, is required to place mandatory reserve deposits with the People's Bank of China (the "PBOC") for customer deposits in both RMB and foreign currencies. As at June 30, 2021, the mandatory deposits were calculated at 9% of customer deposits denominated in RMB (December 31, 2020: 9%) and 7% of customer deposits denominated in foreign currencies (December 31, 2020: 5%). Mandatory reserve deposits are not available for use by the Group in its daily operations.

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2021

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

16. Deposits with banks and financial institutions

	As at June 30, 2021 (Unaudited)	As at December 31, 2020 (Audited)
Deposits with banks		
– House accounts	91,533,356	71,245,503
– Cash held on behalf of clients	12,608,859	12,891,950
Clearing settlement funds		
– House accounts	630,503	442,731
– Clients	2,792,893	2,679,062
Deposits with other financial institutions		
– House accounts	675,236	711,243
Interest receivable	59,013	47,359
Subtotal	108,299,860	88,017,848
Less: Allowance for impairment losses	67,506	64,285
Total	108,232,354	87,953,563
Including: Restricted	34,097,802	28,453,655

Pledged bank deposits represent deposits that have been pledged to secure bank borrowings. As at June 30, 2021, the Group had no pledged bank deposits (December 31, 2020: RMB300.00 million).

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2021
(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

16. Deposits with banks and financial institutions (continued)

The Group's clearing settlement funds bear interest at prevailing market interest rates and mainly deposited in the China Securities Depository and Clearing Corporation Limited. As at June 30, 2021, the Group's restricted clearing settlement funds amounted to RMB2,792.89 million (December 31, 2020: RMB2,679.06 million).

As at June 30, 2021, the Group's deposits with banks and financial institutions in Stage I, II and III amounted to RMB108,236.59 million, nil and RMB63.27 million, respectively (December 31, 2020: RMB87,954.58 million, nil and RMB63.27 million, respectively). The allowance for impairment losses amounted to RMB4.24 million, nil and RMB63.27 million, respectively (December 31, 2020: RMB1.02 million, nil and RMB63.27 million, respectively).

17. Placements with banks and financial institutions

	As at June 30, 2021 (Unaudited)	As at December 31, 2020 (Audited)
Banks	23,049,036	19,890,230
Other financial institutions	500,000	100,000
Interest receivable	12,145	5,715
Subtotal	23,561,181	19,995,945
Less: Allowance for impairment losses	90,094	86,440
Total	23,471,087	19,909,505

As at June 30, 2021, the Group's placements with banks and financial institutions in Stage I, II and III amounted to RMB23,475.47 million, nil and RMB85.71 million, respectively (December 31, 2020: RMB19,910.23 million, nil and RMB85.71 million, respectively). The allowance for impairment losses on placements with banks and financial institutions in Stage I, II and III amounted to RMB4.38 million, nil and RMB85.71 million, respectively (December 31, 2020: RMB0.73 million, nil and RMB85.71 million, respectively).

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2021

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

18. Financial assets at fair value through profit or loss

	As at June 30, 2021 (Unaudited)	As at December 31, 2020 (Audited)
Financial assets classified as at fair value through profit or loss		
Listed investments:		
Equity investments	13,939,603	13,561,934
Debt securities		
– Government bonds	11,306,341	5,579,784
– Public sector and quasi-government bonds	10,239	10,341
– Financial institution bonds	97,149	–
– Corporate bonds	12,900,619	6,278,631
Funds	10,336,009	7,295,378
Corporate convertible bonds	215,939	123,082
Subtotal	48,805,899	32,849,150
Unlisted investments:		
Distressed debt assets	200,841,511	198,746,185
Funds	92,611,535	101,702,383
Equity investments	50,817,421	49,474,894
Debt instruments	27,752,629	31,674,575
Trust products and asset management plans	26,825,343	25,083,228
Security investments	2,649,033	2,569,332
Derivative financial assets (1)	2,234,576	2,416,116
Wealth management products	1,335,131	2,344,900
Others	55,823	55,911
Subtotal	405,123,002	414,067,524
Total	453,928,901	446,916,674

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2021
(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

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

(1) Derivative financial instruments

	As at June 30, 2021 (Unaudited)			As at December 31, 2020 (Audited)		
	Contractual/ Notional amount	Fair value Assets	Liabilities	Contractual/ Notional amount	Fair value Assets	Liabilities
Exchange rate derivatives						
Currency forwards and swaps, and cross-currency interest rate swaps	88,524,368	486,262	(415,107)	84,471,580	561,471	(1,053,077)
Currency options	2,566,505	42,092	(27,810)	4,204,646	97,215	(88,077)
Subtotal	91,090,873	528,354	(442,917)	88,676,226	658,686	(1,141,154)
Interest rate derivatives						
Interest rate swaps	144,100,281	130,863	(336,480)	146,410,467	143,535	(460,036)
Equity derivatives (i)	9,655,837	1,563,210	-	7,598,893	1,613,324	(12,243)
Commodity derivatives and others	495,959	12,149	(14,404)	66,014	571	(3,132)
Total	245,342,950	2,234,576	(793,801)	242,751,600	2,416,116	(1,616,565)

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

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2021

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

19. Financial assets held under resale agreements

	As at June 30, 2021 (Unaudited)	As at December 31, 2020 (Audited)
By collateral type		
Bonds	87,254,941	35,117,764
Stocks	1,404,839	1,499,720
Interest receivable	88,944	41,775
Subtotal	88,748,724	36,659,259
Less: Allowance for impairment losses	294,820	418,106
Total	88,453,904	36,241,153

As at June 30, 2021, the Group's assets held under resale agreements in Stage I, II and III amounted to RMB88,315.27 million, RMB3.17 million and RMB430.28 million, respectively (As at December 31, 2020: RMB36,094.17 million, RMB3.17 million and RMB561.92 million, respectively). The allowance for impairment losses in Stage I, II and III amounted to RMB4.16 million, RMB0.03 million and RMB290.63 million, respectively (As at December 31, 2020: RMB11.45 million, RMB0.16 million and RMB406.50 million, respectively).

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2021
(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

20. Financial assets at fair value through other comprehensive income

	As at June 30, 2021 (Unaudited)	As at December 31, 2020 (Audited)
Debt investments at fair value through other comprehensive income		
Debt securities		
– Government bonds	41,540,988	40,320,392
– Public sector and quasi-government bonds	5,223,564	4,856,989
– Financial institution bonds	33,830,618	34,772,123
– Corporate bonds	32,498,932	27,692,655
Certificates of deposit	1,466,660	10,484,628
Interest receivable	945,036	1,128,596
Subtotal	115,505,798	119,255,383
Equity investments designated as at fair value through other comprehensive income		
Equity instruments	4,593,586	4,473,085
Subtotal	4,593,586	4,473,085
Total	120,099,384	123,728,468

As at June 30, 2021, the Group's debt investments at fair value through other comprehensive income in Stage I, II and III amounted to RMB114,820.86 million, nil and RMB148.60 million, respectively (December 31, 2020: RMB118,591.28 million, nil and RMB150.05 million, respectively). The allowance for impairment losses amounted to RMB80.93 million, nil and RMB148.60 million, respectively (December 31, 2020: RMB71.41 million, nil and RMB150.05 million, respectively).

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2021

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

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

As at June 30, 2021, the Group's equity investments at fair value through other comprehensive income amounted to RMB4,593.59 million (December 31, 2020: RMB4,473.09 million). The above equity investments were irrevocably designated as at fair value through other comprehensive income as the Group considers these investments to be strategic in nature. For the six months ended June 30, 2021, the Group received dividends at the amount of RMB1.04 million (for the six months ended June 30, 2020: RMB1.31 million) from equity investments designated as at fair value through other comprehensive income.

21. Loans and advances to customers

	As at June 30, 2021 (Unaudited)	As at December 31, 2020 (Audited)
At amortized cost		
Corporate loans and advances		
– Loans and advances	238,395,431	231,519,952
– Discounted bills	755,722	555,932
Personal loans and advances		
– Mortgages	29,974,392	27,332,895
– Personal consumption loans	21,288,254	21,239,038
Loans to margin clients	10,343,397	9,706,705
Finance lease receivables	53,452,136	48,645,645
Subtotal	354,209,332	339,000,167
Interest accrued	2,009,519	2,395,050
Total loans and advances to customers at amortized cost	356,218,851	341,395,217

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2021
(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

21. Loans and advances to customers (continued)

	As at June 30, 2021 (Unaudited)	As at December 31, 2020 (Audited)
At fair value through profit or loss		
Corporate loans and advances	19,022,010	19,546,738
Total loans and advances to customers	375,240,861	360,941,955
Less: Allowance for impairment losses on loans and advances to customers at amortized cost	8,660,720	7,485,658
Net loans and advances to customers	366,580,141	353,456,297

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2021

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

21. Loans and advances to customers (continued)

Loans and advances at amortized cost are as follows:

	Stage I (12-month ECLs)	Stage II (Lifetime ECLs)	Stage III (Lifetime ECLs-impaired)	Total
As at June 30, 2021				
Gross loans and advances	338,700,219	9,456,654	8,061,978	356,218,851
Less: Allowances for impairment losses	2,685,790	2,368,150	3,606,780	8,660,720
Net loans and advances to customers	336,014,429	7,088,504	4,455,198	347,558,131

	Stage I (12-month ECLs)	Stage II (Lifetime ECLs)	Stage III (Lifetime ECLs-impaired)	Total
As at December 31, 2020				
Gross loans and advances	324,629,534	11,056,135	5,709,548	341,395,217
Less: Allowances for impairment losses	2,351,618	1,948,428	3,185,612	7,485,658
Net loans and advances to customers	322,277,916	9,107,707	2,523,936	333,909,559

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2021
(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

21. Loans and advances to customers (continued)

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

	For the six months ended June 30, 2021			Total
	Stage I (12-month ECLs)	Stage II (Lifetime ECLs)	Stage III (Lifetime ECLs-impaired)	
As at January 1	2,351,618	1,948,428	3,185,612	7,485,658
Convert to Stage I	30,610	(30,610)	–	–
Convert to Stage II	(112,177)	112,181	(4)	–
Convert to Stage III	(29,261)	(634,448)	663,709	–
Impairment losses recognized	974,534	539,942	340,254	1,854,730
Impairment losses reversed	(492,720)	(178,941)	(190,691)	(862,352)
Stage conversion	(23,868)	635,537	198,232	809,901
Write-off and transfer out	–	(22,538)	(639,655)	(662,193)
Recovery of loans and advances written-off in previous years	–	–	83,901	83,901
Unwinding of discount on allowance	–	–	(13,081)	(13,081)
Exchange differences	(12,946)	(1,401)	(21,497)	(35,844)
As at June 30	2,685,790	2,368,150	3,606,780	8,660,720

The gross carrying amount of loans and advances to customers transferred from Stage III or Stage II to Stage I due to the modification of the contractual cash flows for the six months ended June 30, 2021 was not significant.

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2021

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

21. Loans and advances to customers (continued)

	2020			Total
	Stage I (12-month ECLs)	Stage II (Lifetime ECLs)	Stage III (Lifetime ECLs-impaired)	
As at January 1	2,681,287	2,211,544	3,377,581	8,270,412
Convert to Stage I	413,534	(413,522)	(12)	–
Convert to Stage II	(245,012)	391,014	(146,002)	–
Convert to Stage III	(26,367)	(980,474)	1,006,841	–
Impairment losses recognized	1,164,557	270,741	2,024,648	3,459,946
Impairment losses reversed	(1,228,124)	(188,004)	(306,789)	(1,722,917)
Stage conversion	(378,731)	709,039	632,023	962,331
Write-off and transfer out	–	(40,062)	(3,432,309)	(3,472,371)
Recovery of loans and advances				
written-off in previous years	–	–	94,542	94,542
Unwinding of discount on allowance	–	–	(18,182)	(18,182)
Exchange differences	(29,526)	(11,848)	(46,729)	(88,103)
As at December 31	2,351,618	1,948,428	3,185,612	7,485,658

The gross carrying amount of loans and advances to customers transferred from Stage III or Stage II to Stage I due to the modification of the contractual cash flows in the year of 2020 was not significant.

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2021
(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

21. Loans and advances to customers (continued)

Finance lease receivables are analyzed as follows:

	As at June 30, 2021 (Unaudited)	As at December 31, 2020 (Audited)
Minimum finance lease receivables:		
Within 1 year (inclusive)	21,602,934	20,048,878
1 year to 2 years (inclusive)	15,517,041	14,262,674
2 years to 3 years (inclusive)	9,796,727	8,024,371
3 years to 4 years (inclusive)	5,520,643	4,313,437
4 years to 5 years (inclusive)	3,358,247	3,605,488
Over 5 years	3,531,969	4,175,985
Gross amount of finance lease receivables	59,327,561	54,430,833
Less: Unearned finance income	5,875,425	5,785,188
Subtotal	53,452,136	48,645,645

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2021

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

21. Loans and advances to customers (continued)

	As at June 30, 2021 (Unaudited)	As at December 31, 2020 (Audited)
Interest accrued	266,662	249,832
Net amount of finance lease receivables	53,718,798	48,895,477
Less: Allowance for impairment losses	2,291,812	2,317,846
Carrying amount of finance lease receivables	51,426,986	46,577,631
Present value of minimum lease receivables:		
Within 1 year (inclusive)	19,567,418	18,060,685
1 year to 2 years (inclusive)	14,036,466	12,891,251
2 years to 3 years (inclusive)	8,967,154	7,239,074
3 years to 4 years (inclusive)	4,919,304	3,712,478
4 years to 5 years (inclusive)	3,101,917	3,308,055
Over 5 years	3,126,539	3,683,934
Total	53,718,798	48,895,477
Including:		
Finance lease receivables pledged for borrowings	5,963,674	3,354,728

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2021
(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

22. Financial assets at amortized cost

	As at June 30, 2021 (Unaudited)	As at December 31, 2020 (Audited)
Distressed debt assets		
– Acquired from financial institutions	6,603,898	5,889,582
– Acquired from non-financial institutions	170,126,495	181,520,507
Subtotal	176,730,393	187,410,089
Interest accrued	4,738,789	5,621,172
Gross of distressed debt assets	181,469,182	193,031,261
Less: Allowance for impairment losses	16,154,712	16,524,845
Net of distressed debt assets	165,314,470	176,506,416
Other debt investments	45,348,143	44,704,861
Interest accrued	570,961	1,099,705
Gross of other debt investments	45,919,104	45,804,566
Less: Allowance for impairment losses	1,297,335	2,078,026
Net of other debt investments	44,621,769	43,726,540
Total	209,936,239	220,232,956

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2021

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IV. EXPLANATORY NOTES (continued)

22. Financial assets at amortized cost (continued)

Distressed debt assets are as follows:

	Stage I (12-month ECLs)	Stage II (Lifetime ECLs)	Stage III (Lifetime ECLs-impaired)	Total
As at June 30, 2021				
Gross distressed debt assets	136,268,012	37,314,587	7,886,583	181,469,182
Less: Allowance for impairment losses	5,403,272	7,330,039	3,421,401	16,154,712
Net distressed debt assets	130,864,740	29,984,548	4,465,182	165,314,470

	Stage I (12-month ECLs)	Stage II (Lifetime ECLs)	Stage III (Lifetime ECLs-impaired)	Total
As at December 31, 2020				
Gross distressed debt assets	142,993,369	42,304,988	7,732,904	193,031,261
Less: Allowance for impairment losses	5,575,629	7,690,661	3,258,555	16,524,845
Net distressed debt assets	137,417,740	34,614,327	4,474,349	176,506,416

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2021
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IV. EXPLANATORY NOTES (continued)

22. Financial assets at amortized cost (continued)

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

	For the six months ended June 30, 2021			Total
	Stage I (12-month ECLs)	Stage II (Lifetime ECLs)	Stage III (Lifetime ECLs-impaired)	
As at January 1	5,575,629	7,690,661	3,258,555	16,524,845
Convert to Stage I	245,713	(245,713)	–	–
Convert to Stage II	(170,449)	170,449	–	–
Convert to Stage III	–	(518,369)	518,369	–
Impairment losses recognized	1,826,550	624,481	505,273	2,956,304
Impairment losses reversed	(2,161,690)	(654,844)	–	(2,816,534)
Stage conversion	87,519	263,374	386,563	737,456
Write-off and transfer out	–	–	(1,045,606)	(1,045,606)
Unwinding of discount on allowance	–	–	(201,753)	(201,753)
As at June 30	5,403,272	7,330,039	3,421,401	16,154,712

	2020			Total
	Stage I (12-month ECLs)	Stage II (Lifetime ECLs)	Stage III (Lifetime ECLs-impaired)	
As at January 1	5,767,608	2,403,302	3,339,700	11,510,610
Convert to Stage I	–	–	–	–
Convert to Stage II	(754,554)	754,554	–	–
Convert to Stage III	(30,335)	(334,484)	364,819	–
Impairment losses recognized	3,064,381	2,776,089	570,499	6,410,969
Impairment losses reversed	(2,357,182)	(205,030)	(373,350)	(2,935,562)
Stage conversion	–	2,308,500	1,875,986	4,184,486
Write-off and transfer out	(114,289)	(12,270)	(2,460,916)	(2,587,475)
Unwinding of discount on allowance	–	–	(58,183)	(58,183)
As at December 31	5,575,629	7,690,661	3,258,555	16,524,845

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2021

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IV. EXPLANATORY NOTES (continued)

23. Accounts receivable

	As at June 30, 2021 (Unaudited)	As at December 31, 2020 (Audited)
Accounts receivable relating to equity assets	1,091,389	1,156,676
Accounts receivable from sales of properties	1,014,837	1,002,444
Receivable brokerage business	568,113	329,755
Commission and fee receivables	453,270	380,343
Trade receivables	218,737	17,013
Accounts receivable relating to distressed debt assets	32,804	226,712
Others	504,145	353,164
Gross of accounts receivable	3,883,295	3,466,107
Less: Allowance for impairment losses	248,272	210,697
Net of accounts receivable	3,635,023	3,255,410

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2021
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IV. EXPLANATORY NOTES (continued)

23. Accounts receivable (continued)

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

	As at June 30, 2021 (Unaudited)				As at December 31, 2020 (Audited)			
	Gross amount	%	Impairment	Carrying amount	Gross amount	%	Impairment	Carrying amount
Within 1 year (inclusive)	6,042	1	-	6,042	212,154	34	-	212,154
1 year to 2 years (inclusive)	12,203	3	-	12,203	14,558	2	-	14,558
2 years to 3 years (inclusive)	14,558	3	-	14,558	-	-	-	-
Over 3 years	400,008	93	(15,640)	384,368	400,008	64	(15,640)	384,368
Total	432,811	100	(15,640)	417,171	626,720	100	(15,640)	611,080

The movements of allowance for impairment losses are as follows:

	For the six months ended June 30, 2021 (Unaudited)	For the year ended December 31, 2020 (Audited)
At beginning of the period/year	210,697	277,512
Impairment losses recognized	42,912	90,915
Impairment losses reversed	(4,423)	(154,845)
Amounts written off and transferred out	(914)	(2,885)
At end of the period/year	248,272	210,697

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IV. EXPLANATORY NOTES (continued)

24. Properties held for sale

	As at June 30, 2021 (Unaudited)	As at December 31, 2020 (Audited)
Completed properties	17,344,163	13,515,329
Properties under development	38,867,956	37,453,058
Others	15,005	13,993
Subtotal	56,227,124	50,982,380
Less: Allowance for impairment losses	2,237,446	2,089,657
Total	53,989,678	48,892,723
Including:		
Pledged for borrowings	15,497,513	20,628,453

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IV. EXPLANATORY NOTES (continued)

25. Investment properties

For the six months ended June 30, 2021, the Group acquired investment properties with an aggregate amount of RMB452.30 million at cost (for the six months ended June 30, 2020: RMB3,683.34 million), and disposed of investment properties with an aggregate amount of RMB10.47 million at net book value (for the six months ended June 30, 2020: RMB17.67 million).

As at June 30, 2021, the net book value of investment properties which the Group pledged for borrowings amounted to RMB2,428.30 million (December 31, 2020: RMB3,151.11 million).

As at June 30, 2021, the value of investment properties for which the Group has not obtained certificates of land use rights or certificates of property ownership was nil (December 31, 2020: nil).

26. Interests in consolidated structured entities

The Group had consolidated certain structured entities including private equity funds, trusts, asset management plans, mutual funds. The judgments used by the Group to determine whether control exists are the same as those that are applied to the consolidated financial statements for the year ended December 31, 2020.

The financial impact of each of the private equity funds, trusts, asset management plans, mutual funds on the Group's financial position as at June 30, 2021 and December 31, 2020, and results and cash flows for the six months ended June 30, 2021 and the year ended December 31, 2020, though consolidated, is not significant individually and therefore not disclosed separately.

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

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2021

(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, 2021, the Group acquired property and equipment with an aggregate amount of RMB51.95 million at cost (for the six months ended June 30, 2020: RMB324.88 million), and disposed of property and equipment with an aggregate amount of RMB2.95 million at net book value (for the six months ended June 30, 2020: RMB13.60 million).

As at June 30, 2021, the Group's construction in progress amounted to RMB41.10 million (December 31, 2020: RMB20.44 million).

As at June 30, 2021, the Group's property for which the Group has not obtained a certificate of property ownership amounted to RMB517.92 million (December 31, 2020: RMB530.66 million).

As at June 30, 2021, the net book value of property and equipment which the Group pledged for borrowings amounted to RMB2,216.48 million (December 31, 2020: RMB2,002.79 million).

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2021
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IV. EXPLANATORY NOTES (continued)

29. Goodwill

	As at June 30, 2021 (Unaudited)	As at December 31, 2020 (Audited)
Carrying amount		
At beginning of the period/year	23,281,626	24,683,406
Disposal of subsidiaries	–	(310)
Exchange differences	(247,143)	(1,401,470)
At end of the period/year	23,034,483	23,281,626
Allowance for impairment losses		
At beginning of the period/year	(1,238,068)	(1,134,844)
Disposal of subsidiaries	–	310
Change for the period/year	–	(103,534)
At end of the period/year	(1,238,068)	(1,238,068)
Net book value		
At beginning of the period/year	22,043,558	23,548,562
At end of the period/year	21,796,415	22,043,558

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2021

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

30. Deferred taxation

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

	As at June 30, 2021 (Unaudited)	As at December 31, 2020 (Audited)
Deferred tax assets		
– Continuing operations	9,513,315	8,989,874
– Discontinued operation	–	–
Deferred tax liabilities		
– Continuing operations	(2,385,967)	(2,412,778)
– Discontinued operation	–	–
Deferred taxation	7,127,348	6,577,096

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For the six months ended June 30, 2021
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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 tax for land appreciation	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 (j)	Changes in fair value and impairment losses on financial assets at FYOCI		Unrealized loss due to income rights transfer	Others
As at January 1, 2021	8,043,482	537,486	(924,056)	1,139,037	703,018	270,401	102,340	1,787,303	(4,897,229)	202,779	689,017	(166,002)	6,577,096
Credit/(charge) to profit or loss	(142,978)	(54,176)	15,877	115,387	(13,663)	27,243	44,266	365,434	(216,938)	(105)	(7,651)	215,136	397,068
Charge to other comprehensive income/(expense)	-	-	-	-	-	-	-	-	48,214	(49,869)	-	-	(1,655)
Acquisition of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	(41,018)
Others	27,335	-	8,470	(243)	-	-	(38)	(6,549)	169,290	912	-	(9,644)	185,857
As at June 30, 2021	7,927,839	483,308	(899,706)	1,254,161	689,335	297,644	146,588	2,146,188	(4,896,663)	153,717	681,366	39,490	7,127,348

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2021

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

30. Deferred taxation (continued)

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

	(Audited)											Total			
	Allowance for impairment losses	Without holding for land appreciation losses	Fair value adjustments in business combination	Staff costs accrued but not paid	Interest capitalized on properties held for sale	Tax losses	Provisions	Changes in fair value of financial assets at FVTPL	Temporary differences related to the cost of associates and joint ventures (i)	Changes in fair value and impairment losses on financial assets at FVOCI	Unrealized loss due to income rights transfer		Others		
As at January 1, 2020	6,702,675	388,147	(953,560)	(980,723)	1,134,472	644,986	474,584	96,785	264,196	(4,346,589)	(26,137)	762,684	1,210,439	295,412	5,667,351
Credit/(charge) to profit or loss	1,353,418	149,339	(18,963)	34,061	2,731	58,032	(204,183)	5,734	1,461,920	(439,383)	105	(73,667)	(1,220,498)	(498,834)	609,812
Charge to other comprehensive income/(expense)	-	-	-	-	3,185	-	-	-	-	(68,836)	224,213	-	20,391	-	178,953
Discontinued operation	-	-	-	-	-	-	-	-	-	-	-	-	(10,332)	-	(10,332)
Others	(12,611)	-	48,490	36,179	(1,351)	-	-	(179)	61,187	(42,421)	4,598	-	-	37,420	131,312
As at December 31, 2020	8,043,462	537,486	(924,053)	(910,483)	1,139,037	703,018	270,401	102,340	1,787,303	(4,897,229)	202,779	689,017	-	(166,002)	6,577,096

(i) The temporary differences related to the costs of associates and joint ventures are temporary differences arising from the difference between the book value and the tax base for the associates and joint ventures not held for a long term by the Group.

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2021
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IV. EXPLANATORY NOTES (continued)

31. Other assets

	As at June 30, 2021 (Unaudited)	As at December 31, 2020 (Audited)
Assets in satisfaction of debts	10,356,024	9,915,677
Other receivables	7,207,957	6,962,884
Prepayments	2,344,861	5,207,409
Prepaid taxes	1,489,010	1,350,602
Right-of-use assets	1,457,255	1,084,271
Dividends receivable	1,302,123	1,313,729
Notes receivable	928,465	1,352,198
Interest receivable	861,287	240,716
Precious metals	310,093	329,657
Long-term prepaid expenses	206,548	212,469
Assets with continuing involvement (Note IV.50)	143,257	142,470
Others	243,778	319,889
Total	26,850,658	28,431,971

32. Borrowings from the central bank

	As at June 30, 2021 (Unaudited)	As at December 31, 2020 (Audited)
Borrowings from the central bank	1,025,910	986,058

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

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2021

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

33. Financial liabilities at fair value through profit or loss

	As at June 30, 2021 (Unaudited)	As at December 31, 2020 (Audited)
Short positions in exchange fund bills and notes	4,823,471	5,597,737
Derivative financial liabilities (Note IV.18.(1))	793,801	1,616,565
Financing payables linked to stock index	307,896	62,607
Total	5,925,168	7,276,909

34. Financial assets sold under repurchase agreements

	As at June 30, 2021 (Unaudited)	As at December 31, 2020 (Audited)
By collateral type:		
Debt securities	24,339,533	15,981,904
Subtotal	24,339,533	15,981,904
Interest payable	7,390	8,774
Total	24,346,923	15,990,678

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2021
(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

35. Placements from banks and financial institutions

	As at June 30, 2021 (Unaudited)	As at December 31, 2020 (Audited)
Banks	10,434,188	13,367,506
Other financial institutions	2,362,190	664,494
Subtotal	12,796,378	14,032,000
Interest payable	3,667	12,334
Total	12,800,045	14,044,334

36. Borrowings

	As at June 30, 2021 (Unaudited)	As at December 31, 2020 (Audited)
Borrowings from banks and financial institutions		
Unsecured loans	540,785,175	522,480,108
Loans secured by properties	10,043,298	10,719,652
Other secured loans	25,324,600	20,685,552
Subtotal	576,153,073	553,885,312
Interest payable	3,461,581	3,026,836
Total	579,614,654	556,912,148

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2021

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

36. Borrowings (continued)

Loans secured by properties were collateralized by properties held for sale, property and equipment and investment properties at an aggregate carrying amount of RMB20,142 million as at June 30, 2021 (December 31, 2020: RMB26,082 million). Other secured loans were finance lease receivables and interests in associates and joint ventures at an aggregate carrying amount of RMB5,964 million as at June 30, 2021 (December 31, 2020: RMB4,889 million). The variable rates of borrowings used by the Group were floating based on the benchmark interest rates of deposits or loans published by the People's Bank of China, Hong Kong Inter-bank Offered Rate ("HIBOR"), London Inter-bank Offered Rate ("LIBOR") or Loan Prime Rate ("LPR").

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

	As at June 30, 2021 (Unaudited)	As at December 31, 2020 (Audited)
Fixed-rate borrowings	1.09%-23.00%	1.20%-23.00%
Variable-rate borrowings	0.49%-6.60%	0.36%-6.65%

37. Due to customers

	As at June 30, 2021 (Unaudited)	As at December 31, 2020 (Audited)
Demand deposits		
Corporate	50,169,986	55,155,266
Personal	51,535,514	48,794,211
Time deposits		
Corporate	107,141,743	82,949,416
Personal	72,663,683	72,746,366
Guarantee deposits	13,530,364	12,759,611
Subtotal	295,041,290	272,404,870
Interest payable	1,027,302	1,239,304
Total	296,068,592	273,644,174

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2021
(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

38. Deposits from banks and financial institutions

	As at June 30, 2021 (Unaudited)	As at December 31, 2020 (Audited)
Banks	2,468,046	2,111,840
Other financial institutions	11,784,788	13,306,772
Subtotal	14,252,834	15,418,612
Interest payable	224,340	123,572
Total	14,477,174	15,542,184

39. Accounts payable

	As at June 30, 2021 (Unaudited)	As at December 31, 2020 (Audited)
Accounts payable associated with real estate business (1)	3,501,936	4,259,205
Asset purchase payable	865,000	1,000
Others	672,777	626,488
Total	5,039,713	4,886,693

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

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

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2021

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

40. Bonds issued

Bond Type	Notes	As at June 30, 2021					As at
		Face Value	Currency	Term	Bond Rate/ Expected Return Rate	Book Value (Unaudited)	December 31, 2020 Book Value (Audited)
Asset-backed Securities		127,060,269	CNY	4 months-18 years	1.80%-7.00%	126,630,222	102,944,587
Financial Bonds		110,000,000	CNY	3-10 years	2.85%-5.50%	111,778,456	111,834,030
USD Guaranteed							
Senior Notes	(1)	13,445,000	USD	3-30 years	1.25%-5.625%	87,269,150	75,062,023
Corporate Bonds	(2)(3)(4)	21,871,768	CNY	3-8 years	3.18%-5.50%	21,922,749	22,571,051
Mid-term Notes	(5)	8,940,000	CNY	3-5 years	2.99%-5.00%	9,084,853	8,132,321
Tier-II Capital Bonds	(6)	8,000,000	CNY	5 years	3.70%-4.50%	8,200,210	18,216,741
Subordinate Notes	(7)	700,000	USD	10 years	3.80%	4,515,802	4,558,650
Debt Financing Plans		2,984,000	CNY	2 years-3 years	3.90%-6.37%	3,006,798	2,993,370
Beneficiary Certificates		2,867,290	CNY	1 month-2 years	2.70%-4.60%	2,935,179	4,099,790
Subordinate Bonds	(8)	2,600,000	CNY	3 years	4.55%-4.64%	2,663,193	2,681,478
Certificates of Deposit		1,090,000	CNY	3 months-1 year	2.95%-3.30%	1,077,128	646,028
Asset-backed Notes		810,000	CNY	6 years	5.50%	775,175	834,197
Certificates of Deposit		120,000	USD	9 months-1 year	0.37%-1.32%	774,394	1,158,950
HKD Bonds	(9)	42,000	HKD	5-9 years	4.00%	35,168	44,314
Total						380,668,477	355,777,530

(1) China Cinda Financial Co., Ltd., a subsidiary of China Cinda (Hong Kong) Holdings Company Limited ("Cinda Hong Kong"), issued a total face value of USD3,045 million of USD Guaranteed Senior Notes (the "USD Notes") in Hong Kong in May 2014, December 2017 and February 2019. The USD Notes have fixed coupon rates, payable semiannually. At any time prior to the date of maturity of the USD Notes, the issuer or Cinda Hong Kong may redeem the USD Notes, in whole or in part.

(2) The Company's subsidiary, Cinda Investment Co., Ltd. ("Cinda Investment"), issued corporate bonds with a face value of RMB3,000 million and RMB2,000 million in December 2015 and January 2016, respectively. The bonds have fixed coupon rates, payable annually, with the issuer's option to adjust the coupon rate and the investor's option to sell back at the end of the fifth year. The issuer adjusted the coupon rate and the investors sold back part of the bonds in December 2020 and January 2021. Cinda Investment issued corporate bonds with a total face value of RMB11,375 million in August 2016, May 2019 and August 2019. The bonds have fixed coupon rates, payable annually, with the issuer's option to adjust the coupon rate and the investor's option to sell back at the end of the third year. The issuer adjusted the coupon rate and the investors sold back part of the bonds in August 2019.

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2021
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IV. EXPLANATORY NOTES (continued)

40. Bonds issued (continued)

- (3) Cinda Real Estate Co., Ltd. ("Cinda Real Estate"), a subsidiary of Cinda Investment, issued corporate bonds with a face value of RMB3,000 million in total in March 2016. The bonds have fixed coupon rates, payable annually, with the issuer's option to adjust the coupon rate and the investor's option to sell back at the end of the third year. The issuer adjusted the coupon rate and the investors sold back part of the bonds in March 2019. Cinda Real Estate issued corporate bonds with a face value of RMB4,900 million in total in 2019. The bonds have fixed coupon rates, payable annually, with the issuer's option to adjust the coupon rate and the investor's option to sell back at the end of the second year. The issuer adjusted the coupon rate and the investors sold back part of the bonds in January and May of 2021. Cinda Real Estate issued corporate bonds with a face value of RMB3,740 million in total in January and March of 2021. The bonds have fixed coupon rates, payable annually, with the issuer's option to adjust the coupon rate and the investor's option to sell back at the end of the second and the end of the fourth year. Cinda Real Estate issued corporate bonds with a face value of RMB2,060 million in total in January and March of 2021. The bonds have fixed coupon rates, payable annually, with the issuer's option to adjust the coupon rate and the investor's option to sell back at the end of the third year.
- (4) Well Kent International Enterprises (Shenzhen) Co., Ltd., a subsidiary of Cinda Hong Kong, issued a corporate bond with a face value of RMB600 million in April 2016. The bond has fixed coupon rates, payable annually, with the issuer's option to adjust the coupon rate and the investor's option to sell back at the end of the third year. The issuer adjusted the coupon rate and the investors sold back part of the bonds in April 2019. Well Kent International Enterprises (Shenzhen) Co., Ltd. issued a corporate bond with a total face value of RMB2,000 million in March 2020 and May 2020. The bond has fixed coupon rate, payable annually, with the issuer's option to adjust the coupon rate and the investor's option to sell back at the end of the third year.
- (5) Cinda Investment issued a medium-term note with a face value of RMB2,000 million in April 2020, with fixed coupon rate, payable annually, with the issuer's option to adjust the coupon rate and the investor's option to sell back at the end of the third year.
- (6) The tier-II capital bonds issued by the Company have a fixed coupon rate, payable annually and are conditionally redeemable at the end of the fifth year. The issuer has the right to redeem the bond at par value in whole or in part subject to the approval of the China Banking and Insurance Regulatory Commission (the "CBIRC"). In June 2021, the issuer redeemed the tier-II capital bonds with a face value of RMB10,000 million issued in June 2016 with the approval of the CBIRC.
- (7) The subordinate notes issued by Nanyang Commercial Bank, Limited, a subsidiary of Cinda Hong Kong, have fixed coupon rate, payable semiannually. The coupon rate will be reset at the end of the fifth year.
- (8) The subordinate bonds issued by Cinda Securities Co., Ltd. ("Cinda Securities"), a subsidiary of the Company, have fixed coupon rate, payable annually.
- (9) Cinda International Holding Limited ("Cinda International"), a subsidiary of Cinda Securities, issued Hong Kong dollar bonds ("HKD bonds") with a face value of HKD32 million in total in 2014, with fixed coupon rates, payable annually. The issuer and investors have the option to extend the maturity date at the end of the fifth year. In July and September 2019, the investors extended the bond maturity date by 24 months through exercising the extension option. Cinda International issued HKD bonds with a face value of HKD10 million in September 2013, with fixed coupon rates, payable annually. The issuer and investors have the option to defer at the end of the fifth year. In September 2018 and September 2020, the investors extended the bond maturity date twice by 24 months through exercising the extension option. Cinda International issued HKD bonds with a face value of HKD10 million in March 2016, with fixed coupon rates, payable annually. At the end of the third year or the end of the fourth year after the issuance of the bond, the issuer has the right to redeem the bonds in whole or in part in advance; at the same time, the issuer and investors have the option to extend the maturity date at the end of the fifth year. The bond issuer and investors did not exercise the extension option and the bond has expired in March 2021.

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2021

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IV. EXPLANATORY NOTES (continued)

41. Contract liabilities

	As at June 30, 2021 (Unaudited)	As at December 31, 2020 (Audited)
Sales proceeds received in advance (1)	23,005,352	14,725,445
Others	159,196	130,282
Total	23,164,548	14,855,727

(1) Sales proceeds received in advance

	For the six months ended June 30,	
	2021 (Unaudited)	2020 (Unaudited)
At beginning of the period	14,725,445	22,994,982
Deferred during the period	12,585,092	7,953,176
Recognized as revenue during the period	(4,305,185)	(10,382,275)
At end of the period	23,005,352	20,565,883

As at June 30, 2021, all contract liabilities of the Group were held by Cinda Real Estate, a subsidiary of the Company, and the contract liabilities were mainly sales proceeds received in advance by Cinda Real Estate.

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2021
(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

42. Other liabilities

	As at June 30, 2021 (Unaudited)	As at December 31, 2020 (Audited)
Other payables	16,815,100	16,010,287
Staff costs payable	6,302,929	6,993,165
Dividends payable	5,062,709	1,713
Risk deposit	4,726,230	4,330,358
Payables to interest holders of consolidated structured entities (Note IV.26)	2,004,033	2,086,380
Sundry taxes payable	1,675,949	1,604,526
Lease liabilities	1,435,385	1,040,216
Receipts in advance associated with disposal of distressed assets	943,732	1,039,991
Provisions	822,007	791,150
Notes payable	786,126	911,332
Receipts in advance	530,320	527,491
Deferred income related to leasing business	585,186	560,282
Items in the process of clearance and settlement	499,662	1,483,509
Long-term payable	157,993	1,248,218
Others	791,568	747,727
Total	43,138,929	39,376,345

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2021

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

43. Share capital

	For the six months ended June 30, 2021 (Unaudited)	For the year ended December 31, 2020 (Audited)
Authorized, issued and fully paid:		
At beginning of the period	38,164,535	38,164,535
Issue of shares	–	–
At end of the period	38,164,535	38,164,535

A summary of the movements of the Company's issued shares (in thousands of shares) during the six months ended June 30, 2021 and the year ended December 31, 2020 is as follows:

	2021 (Unaudited)			As at 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, 2021
(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

43. Share capital (continued)

	As at January 1	2020 (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, 2021 and December 31, 2020, 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, 2021

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

44. Other equity instruments

For the period ended June 30, 2021, the movements of the Company's other equity instruments were as follows:

	2021 (Unaudited)							
	As at January 1,		Increase		Decrease		As at June 30,	
	Quantity	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								
- 2016 Offshore Preference Shares	160,000	21,281,215	-	-	-	-	160,000	21,281,215
Total	160,000	21,281,215	-	-	-	-	160,000	21,281,215

Pursuant to the approvals by the relevant domestic and overseas authorities, the Company issued the USD settled Non-Cumulative Perpetual Offshore Preference Shares (the "Offshore Preference Shares") on September 30, 2016.

For the six months ended June 30, 2021, the Company recognized dividends for the Offshore Preference Shares of USD158.22 million (for the six months ended June 30, 2020, no dividend for the Offshore Preference Shares was required to be recognized for the Company).

45. Capital reserve

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

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2021
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IV. EXPLANATORY NOTES (continued)

46. Other comprehensive income

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

	For the six months ended June 30, 2021 (Unaudited)	For the year ended December 31, 2020 (Audited)
At beginning of the period/year	(1,237,414)	(35,688)
Items that may be reclassified subsequently to profit or loss:		
Fair value changes on debt instruments at fair value through other comprehensive income		
Fair value changes arising during the period	144,239	(14,307)
Amounts reclassified to profit or loss upon disposal	(85,777)	(85,096)
Amounts of profit or loss upon impairment	18,269	15,230
Income tax effect	(20,234)	43,693
	56,497	(40,480)
Exchange differences arising on translation of foreign operations	(469,023)	(805,095)
Share of other comprehensive income of associates and joint ventures	(192,832)	275,618
Income tax effect	48,214	(68,836)
	(557,144)	(638,793)
Items that will not be reclassified subsequently to profit or loss:		
Remeasurement of supplementary retirement benefits	-	(19,303)
Income tax effect	-	3,185
	-	(16,118)
Fair value changes on equity instruments designated as at fair value through other comprehensive income	121,021	(735,884)
Income tax effect	(29,737)	189,069
	91,284	(562,933)
Other comprehensive income for the period/year	(465,860)	(1,201,726)
At end of the period/year	(1,703,274)	(1,237,414)

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2021

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

47. General reserve

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

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

For the six months ended June 30, 2021, the Group transferred RMB714.79 million to the general reserve pursuant to the regulatory requirements in the PRC (for the six months ended June 30, 2020, the Group reserved RMB331.03 million from the general reserve).

48. Cash and cash equivalents

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

	As at June 30, 2021 (Unaudited)	As at December 31, 2020 (Audited)
Cash	492,496	527,358
Balances with central banks	4,166,082	6,875,576
Deposits with banks and financial institutions	74,143,045	59,516,834
Placements with banks and financial institutions	21,315,883	19,730,230
Financial assets held under resale agreements	86,552,003	34,083,349
Cash and cash equivalents	186,669,509	120,733,347

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2021
(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

49. Contingent liabilities and commitments

(1) Legal proceedings

The Group is involved as a defendant in certain lawsuits arising from its normal business operations. As at June 30, 2021, the total claim amount of pending litigations for the Group was RMB1,627.38 million (December 31, 2020: RMB1,974.05 million), and provisions of RMB12.11 million (December 31, 2020: RMB9.35 million) for the Group were made based on court judgments or the advice of legal counsels. The directors of the Company believe that the final result of these lawsuits will not have a material impact on the financial position or operations of the Group.

(2) Credit commitments

	As at June 30, 2021 (Unaudited)	As at December 31, 2020 (Audited)
Bank bill acceptance	29,747,298	19,885,771
Loan commitments (i)	15,495,194	15,363,473
Letters of credit issued	4,267,244	3,756,413
Letters of guarantee issued	3,389,409	3,708,904
Undrawn credit card commitments	693,919	695,460
Others	1,204,877	425,280
Total	54,797,941	43,835,301
Impairment of credit commitments	(322,960)	(142,593)

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

- (i) Loan commitments represent undrawn loan facilities agreed and granted to customers. Unconditionally revocable loan commitments are not included in loan commitments. As at June 30, 2021, the unconditionally revocable loan commitments of the Group amounted to RMB88,735.92 million (December 31, 2020: RMB91,308.42 million).

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2021

(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, 2021 (Unaudited)	As at December 31, 2020 (Audited)
Contracted but not provided for		
– Commitments for the acquisition of property and equipment	63,945	49,508
Total	63,945	49,508

(4) Other commitments

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

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2021
(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

50. Transfers of financial assets

(1) Repurchase agreements

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

	Carrying amount of pledged assets		Related liabilities	
	June 30 2021	December 31 2020	June 30 2021	December 31 2020
Financial assets at amortized cost	329,586	–	320,083	–
Financial assets at fair value through profit or loss	8,609,663	67,218	8,361,394	65,280
Financial assets at fair value through other comprehensive income	16,998,974	16,074,084	15,665,446	15,925,398
Total	25,938,223	16,141,302	24,346,923	15,990,678

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2021

(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, 2021, the Group's carrying amount of transferred assets that did not qualify for derecognition was RMB105,397.61 million (December 31, 2020: RMB84,982.80 million), and the carrying amount of their associated liabilities was RMB113,905.55 million (December 31, 2020: RMB90,139.62 million).

With respect to the securitization of financial assets that qualified for derecognition, the Group derecognized the transferred financial assets in their entirety. The corresponding total carrying amount of asset-backed securities held by the Group in the securitization transactions was nil as at June 30, 2021 and December 31, 2020.

(3) Continuing involvement

For those financial assets in which the Group has neither transferred nor retained substantially all the risks and rewards of the financial assets transferred to third parties or to structured entities, and retained control of the financial assets, the transferred financial assets are recognized to the extent of the Group's continuing involvement. For the six months ended June 30, 2021 and June 30, 2020, the Group has not recognized any transferred financial assets in which the Group had continuing involvement. As at June 30, 2021, the carrying amount of continuing involvement assets recognized by the Group was RMB143.26 million (As at December 31, 2020: RMB142.47 million). As at June 30, 2021 and December 31, 2020, the carrying amount of continuing involvement liabilities was nil.

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2021
(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, 2021

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

51. Segment information (continued)

	(Unaudited)			Consolidated
	Distressed asset management	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, 2021
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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	19,052	(13,215)	–	5,837
Profit before share of results of associates and joint ventures and tax	5,072,013	2,732,628	8,735	7,813,376
Share of results of associates and joint ventures	1,915,032	19,315	–	1,934,347
Profit before tax from continuing operations	6,987,045	2,751,943	8,735	9,747,723
Income tax expense				(2,670,824)
Profit for the period from continuing operations				7,076,899
Capital expenditure	464,793	80,582	–	545,375
As at June 30, 2021				
Segment assets	1,054,163,577	555,216,352	(14,649,851)	1,594,730,078
Including: Interests in associates and joint ventures	71,879,670	419,197	–	72,298,867
Unallocated assets				9,513,315
Total assets				1,604,243,393
Segment liabilities	939,420,351	478,450,315	(13,291,978)	1,404,578,688
Unallocated liabilities				3,830,055
Total liabilities				1,408,408,743

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2021

(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, 2020				
Income from distressed debt assets at amortized cost	9,105,570	–	–	9,105,570
Fair value changes on distressed debt assets	7,474,182	–	–	7,474,182
Fair value changes on other financial instruments	1,905,789	324,937	112,830	2,343,556
Investment income	(271,622)	589,117	(12)	317,483
Interest income	4,354,260	7,937,955	(278,458)	12,013,757
Revenue from sales of inventories	9,659,230	–	–	9,659,230
Commission and fee income	162,358	2,120,521	(186,504)	2,096,375
Net gains on disposal of subsidiaries, associates and joint ventures	1,197,216	–	–	1,197,216
Other income and other net gains or losses	1,584,475	61,728	(33,709)	1,612,494
Total	35,171,458	11,034,258	(385,853)	45,819,863
Interest expense	(16,158,220)	(4,123,408)	359,524	(19,922,104)
Employee benefits	(849,913)	(1,682,667)	–	(2,532,580)
Purchases and changes in inventories	(6,366,150)	–	–	(6,366,150)
Commission and fee expense	(58,954)	(244,817)	6,997	(296,774)
Taxes and surcharges	(203,035)	(42,697)	–	(245,732)
Depreciation and amortization expenses	(602,056)	(428,358)	29,734	(1,000,680)
Other expenses	(663,573)	(510,906)	407	(1,174,072)
Impairment losses on assets	(3,517,747)	(1,074,209)	(6,670)	(4,598,626)
Total	(28,419,648)	(8,107,062)	389,992	(36,136,718)

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2021
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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	(17,929)	(2,146)	–	(20,075)
Profit before share of results of associates and joint ventures and tax	6,733,881	2,925,050	4,139	9,663,070
Share of results of associates and joint ventures	1,045,738	4,318	–	1,050,056
Profit before tax from continuing operations	7,779,619	2,929,368	4,139	10,713,126
Income tax expense				(3,636,171)
Profit for the period from continuing operations				7,076,955
Profit after tax for the period from a discontinued operation				268,669
Capital expenditure	15,802	337,677	–	353,479
As at December 31, 2020 (Audited)				
Segment assets	1,002,081,396	528,523,142	(21,510,764)	1,509,093,774
Including: Interests in associates and joint ventures	70,095,189	407,471	–	70,502,660
Unallocated assets				8,989,874
Total assets				1,518,083,648
Segment liabilities	885,402,875	453,596,547	(20,626,211)	1,318,373,211
Unallocated liabilities				4,668,017
Total liabilities				1,323,041,228

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2021

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

52. Related party transactions

(1) The MOF

As at June 30, 2021, the MOF directly owned 58.00% (December 31, 2020: 58.00%) of the share capital of the Company.

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

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

The Group had the following balances with the MOF:

	As at June 30, 2021 (Unaudited)	As at December 31, 2020 (Audited)
Financial assets at fair value through other comprehensive income	26,934,429	24,515,050
Financial assets at fair value through profit or loss	5,594,530	111,011
Financial assets at amortized cost	578,907	581,013
Accounts receivable	1,597	1,597

The Group entered into the following transactions with the MOF:

	For the six months ended June 30, 2021 (Unaudited)	2020 (Unaudited)
Interest income	361,845	375,132
Investment income	13,563	51,130

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

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2021
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IV. EXPLANATORY NOTES (continued)

52. Related party transactions (continued)

(2) Subsidiaries

The Company had the following balances with its subsidiaries:

	As at June 30, 2021 (Unaudited)	As at December 31, 2020 (Audited)
Amounts due from subsidiaries	23,036,749	27,536,214
Financial assets at fair value through profit or loss	1,388,266	1,780,906
Lease liabilities	520,582	526,070
Right-of-use assets	500,696	509,186
Bonds issued	474,206	484,380
Other payables	153,423	183,703
Financial assets at amortized cost	22,625	226,319
Property and equipment	15,381	15,672

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

	For the six months ended June 30, 2021 (Unaudited)	2020 (Unaudited)
Dividend income	373,074	–
Interest income	229,010	575,409
Interest expense	134,608	99,105
Fair value changes on other financial instruments	67,479	119,499
Depreciation expenses of right-of-use assets	63,481	64,344
Other expenses	49,084	9,270
Impairment losses on assets	27,212	21,810
Commission and fee expense	17,702	707
Rental income	10,553	11,243
Other income and other net gains or losses	1,990	–
Depreciation and amortization expenses	291	291

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2021

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

52. Related party transactions (continued)

(3) Associates and joint ventures

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

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

	As at June 30, 2021 (Unaudited)	As at December 31, 2020 (Audited)
Loans and advances to customers	7,087,444	7,360,505
Risk deposit	189,085	242,364
Other payables	180,356	163,369
Other receivables	87,999	45,984
Dividend receivable	50,888	45,000
Deferred income related to leasing business	5,348	10,549

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

	For the six months ended June 30,	
	2021 (Unaudited)	2020 (Unaudited)
Interest income	224,278	494,744
Dividend income	166,024	345,854
Others	-	21,903

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2021
(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,	
	2021 (Unaudited)	2020 (Unaudited)
Contribution to the annuity scheme	101,316	88,823

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2021

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

52. Related party transactions (continued)

(6) Key management remuneration

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

	For the six months ended June 30,	
	2021 (Unaudited)	2020 (Unaudited)
Emoluments of key management personnel	4,598	4,975

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

53. Financial risk management

The types of risk to which the Group is exposed include credit risk, market risk and liquidity risk. Market risk includes interest rate risk, foreign exchange risk and price risk. The Group’s primary objectives and policies of risk management and risk management framework are the same as those set out in the Group’s consolidated financial statements for the year ended December 31, 2020.

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2021
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IV. EXPLANATORY NOTES (continued)

53. Financial risk management (continued)

53.1 Credit risk

53.1.1 Credit risk management

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

The Group performed the assessment of expected credit losses with the reference to forward-looking information and used a number of models and assumptions in the measurement of expected credit losses. These models and assumptions related to the future macroeconomic situation and the credit status of the borrowers (for example, the possibility of default by the customers and the corresponding loss). The Group assessed the expected credit losses as at June 30, 2021 and comprehensively considered the impacts of current economic conditions and the COVID-19 pandemic on expected credit losses, including performing forward-looking forecasts to key macroeconomic indicators and assessment of scenario weights.

As at June 30, 2021, the expected credit losses comprehensively reflected the Group's credit risk and the expectations for macroeconomic development of management.

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

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

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2021

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

53. Financial risk management (continued)

53.1 Credit risk (continued)

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

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

	As at June 30, 2021 (Unaudited)	As at December 31, 2020 (Audited)
On-balance sheet		
Balances with central banks	13,000,914	14,847,690
Deposits with banks and financial institutions	108,232,354	87,953,563
Deposits with exchanges and others	2,186,019	1,946,984
Placements with banks and financial institutions	23,471,087	19,909,505
Financial assets at fair value through profit or loss	133,654,207	127,921,267
Financial assets held under resale agreements	88,453,904	36,241,153
Financial assets at fair value through other comprehensive income	115,505,798	119,255,383
Financial assets at amortized cost	209,936,239	220,232,956
Loans and advances to customers	366,580,141	353,456,297
Accounts receivable	3,635,023	3,255,410
Other assets	10,849,105	10,437,031
Subtotal	1,075,504,791	995,457,239
Off-balance sheet		
Bank bill acceptance	29,747,298	19,885,771
Loan commitments	15,495,194	15,363,473
Letters of guarantee issued and other credit commitments	9,555,449	8,586,057
Subtotal	54,797,941	43,835,301
Total	1,130,302,732	1,039,292,540

IV. EXPLANATORY NOTES (continued)

53. Financial risk management (continued)

53.1 Credit risk (continued)

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

Among the distressed debt assets at fair value through profit or loss, the distressed assets contain certain elements of credit risk. The risks that such assets are exposed to are the same as those set out in the Group's consolidated financial statements for the year ended December 31, 2020. The carrying amount of distressed debt assets at fair value through profit or loss of the Group as at June 30, 2021 amounted to RMB200,841.51 million (December 31, 2020: RMB198,746.18 million).

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

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2021

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IV. EXPLANATORY NOTES (continued)

53. Financial risk management (continued)

53.1 Credit risk (continued)

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

	As at June 30, 2021 (Unaudited)	As at December 31, 2020 (Audited)
Distressed debt assets	182,156,982	193,031,261
Loans and advances to customers	356,218,851	341,395,217
Subtotal	538,375,833	534,426,478
Allowance for impairment losses		
Distressed debt assets	(16,154,712)	(16,524,845)
Loans and advances to customers	(8,660,720)	(7,485,658)
Subtotal	(24,815,432)	(24,010,503)
Net carrying amounts		
Distressed debt assets	166,002,270	176,506,416
Loans and advances to customers	347,558,131	333,909,559
Total	513,560,401	510,415,975

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2021
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IV. EXPLANATORY NOTES (continued)

53. Financial risk management (continued)

53.1 Credit risk (continued)

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

By geographical area

Area	As at June 30, 2021 (Unaudited)		As at December 31, 2020 (Audited)	
	Gross amount	%	Gross amount	%
Overseas	165,923,371	30.9	166,206,634	31.2
Central Region	86,029,345	16.0	78,592,971	14.7
Western Region	75,052,373	13.9	76,251,607	14.3
Yangtze River Delta	74,938,492	13.9	75,412,542	14.1
Bohai Rim	73,372,871	13.6	67,601,765	12.6
Pearl River Delta	55,992,598	10.4	63,155,401	11.8
Northeastern Region	7,066,783	1.3	7,205,558	1.3
Total	538,375,833	100.0	534,426,478	100.0

Notes:

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

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2021

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

53. Financial risk management (continued)

53.1 Credit risk (continued)

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

By industry

Industry	As at June 30, 2021 (Unaudited)		As at December 31, 2020 (Audited)	
	Gross amount	%	Gross amount	%
Corporate business				
Real estate	155,076,964	28.8	183,031,269	34.1
Manufacturing	63,357,138	11.8	63,451,828	11.9
Leasing and commercial services	54,544,551	10.1	49,612,282	9.3
Finance	33,376,924	6.2	29,357,482	5.5
Production and supply of power, heat, gas and water	28,908,494	5.4	29,166,681	5.5
Construction	25,756,638	4.8	17,837,696	3.3
Mining	20,841,451	3.9	15,857,411	3.0
Transportation, logistics and postal services	16,014,974	3.0	15,969,971	3.0
Others	78,365,198	14.4	71,380,337	13.4
Subtotal	476,242,332	88.4	475,664,957	89.0
Personal business				
Mortgage	30,024,311	5.6	27,377,051	5.1
Personal consumption loans	21,311,027	4.0	21,264,336	4.0
Subtotal	51,335,338	9.6	48,641,387	9.1
Loans to margin clients	10,798,163	2.0	10,120,134	1.9
Total	538,375,833	100.0	534,426,478	100.0

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2021
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IV. EXPLANATORY NOTES (continued)

53. Financial risk management (continued)

53.1 Credit risk (continued)

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

By security type

	As at June 30, 2021 (Unaudited)		As at December 31, 2020 (Audited)	
	Gross amount	%	Gross amount	%
Unsecured	135,110,885	25.1	140,241,990	26.2
Guaranteed	65,683,779	12.2	60,133,987	11.3
Mortgaged	173,120,133	32.2	192,002,678	35.9
Pledged	164,461,036	30.5	142,047,823	26.6
Total	538,375,833	100.0	534,426,478	100.0

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

	Gross amount as at June 30, 2021 (Unaudited)				
	Up to 90 days (Including 90 days)	91 to 360 days (Including 360 days)	361 days to 3 years (Including 3 years)	Over 3 years	Total
Distressed debt assets	5,330,889	7,184,833	3,026,707	330,099	15,872,528
Loans and advances to customers	2,697,954	2,893,704	3,197,935	973,953	9,763,546
Total	8,028,843	10,078,537	6,224,642	1,304,052	25,636,074

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IV. EXPLANATORY NOTES (continued)

53. Financial risk management (continued)

53.1 Credit risk (continued)

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

	Gross amount as at December 31, 2020 (Audited)				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	9,719,713	6,024,210	3,091,359	330,099	19,165,381
Loans and advances to customers	3,228,913	1,986,215	2,650,726	920,067	8,785,921
Total	12,948,626	8,010,425	5,742,085	1,250,166	27,951,302

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

	As at June 30, 2021 (Unaudited)	As at December 31, 2020 (Audited)
Neither past due nor impaired	511,838,497	506,048,025
Past due but not impaired (1)	10,588,775	14,936,001
Impaired (2)	15,948,561	13,442,452
Subtotal	538,375,833	534,426,478
Allowance for impairment losses	(24,815,432)	(24,010,503)
Net carrying amount	513,560,401	510,415,975

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IV. EXPLANATORY NOTES (continued)

53. Financial risk management (continued)

53.1 Credit risk (continued)

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

(1) Past due but not impaired

	Gross amount as at June 30, 2021 (Unaudited)				
	Up to 90 days (Including 90 days)	91 to 360 days (Including 360 days)	361 days to 3 years (Including 3 years)	Over 3 years	Total
Distressed debt assets	4,984,883	3,001,062	–	–	7,985,945
Loans and advances to customers	862,571	850,000	890,259	–	2,602,830
Total	5,847,454	3,851,062	890,259	–	10,588,775

	Gross amount as at December 31, 2020 (Audited)				
	Up to 90 days (Including 90 days)	91 to 360 days (Including 360 days)	361 days to 3 years (Including 3 years)	Over 3 years	Total
Distressed debt assets	7,844,426	3,588,051	–	–	11,432,477
Loans and advances to customers	1,553,265	1,740,259	210,000	–	3,503,524
Total	9,397,691	5,328,310	210,000	–	14,936,001

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For the six months ended June 30, 2021

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IV. EXPLANATORY NOTES (continued)

53. Financial risk management (continued)

53.1 Credit risk (continued)

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

(2) Impaired

	As at June 30, 2021 (Unaudited)		
	Gross amount	Allowance for impairment losses	Net carrying amount
Distressed debt assets	7,886,583	(3,421,401)	4,465,182
Loans and advances to customers	8,061,978	(3,606,780)	4,455,198
Total	15,948,561	(7,028,181)	8,920,380

	As at December 31, 2020 (Audited)		
	Gross amount	Allowance for impairment losses	Net carrying amount
Distressed debt assets	7,732,904	(3,258,555)	4,474,349
Loans and advances to customers	5,709,548	(3,185,611)	2,523,937
Total	13,442,452	(6,444,166)	6,998,286

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2021
(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

53. Financial risk management (continued)

53.1 Credit risk (continued)

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

(2) Impaired (continued)

	As at June 30, 2021 (Unaudited)	As at December 31, 2020 (Audited)
Distressed debt assets		
Impaired	7,886,583	7,732,904
– Portion covered	7,517,843	7,364,164
– Portion not covered	368,740	368,740
Impaired as % of total distressed debt assets	4.3	4.0
Fair value of collateral	7,807,717	7,655,575
Loans and advances to customers		
Impaired	8,061,978	5,709,548
– Portion covered	7,658,879	5,513,737
– Portion not covered	403,099	195,811
Impaired as % of total loans and advances to customers	2.3	1.7
Fair value of collateral	7,812,057	5,554,941

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For the six months ended June 30, 2021

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

53. Financial risk management (continued)

53.1 Credit risk (continued)

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

(2) Impaired (continued)

Impaired distressed debt assets and loans and advances to customers by geographical area are analyzed as follows:

	As at June 30, 2021 (Unaudited)		As at December 31, 2020 (Audited)	
	Gross amount	%	Gross amount	%
Distressed debt assets				
Bohai Rim	2,964,963	37.5	2,715,747	35.1
Pearl River Delta	2,688,830	34.1	2,948,201	38.1
Western Region	1,332,769	16.9	132,931	1.7
Yangtze River Delta	896,378	11.4	1,182,091	15.3
Central Region	3,643	0.1	753,934	9.8
Total	7,886,583	100.0	7,732,904	100.0
Loans and advances to customers				
Overseas	2,292,489	28.5	675,902	11.8
Pearl River Delta	1,308,425	16.2	1,170,235	20.5
Bohai Rim	1,271,636	15.8	787,219	13.8
Central Region	1,268,387	15.7	1,115,132	19.5
Yangtze River Delta	984,870	12.2	1,060,707	18.6
Northeastern Region	499,961	6.2	593,807	10.4
Western Region	436,210	5.4	306,546	5.4
Total	8,061,978	100.0	5,709,548	100.0

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2021
(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

53. Financial risk management (continued)

53.1 Credit risk (continued)

53.1.6 Credit quality of investment products

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

	As at June 30, 2021 (Unaudited)	As at December 31, 2020 (Audited)
Neither past due nor impaired (1)	278,663,570	276,024,460
Past due but not impaired (2)	12,746,791	10,816,502
Impaired (3)	3,668,749	6,140,254
Subtotal	295,079,110	292,981,216
Allowance for impairment losses	(1,297,335)	(2,078,026)
Net carrying amounts	293,781,775	290,903,190

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2021

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

53. Financial risk management (continued)

53.1 Credit risk (continued)

53.1.6 Credit quality of investment products (continued)

(1) Neither past due nor impaired

	As at June 30, 2021 (Unaudited)				As at December 31, 2020 (Audited)			
	Financial assets at fair value through profit or loss	Financial assets at amortized cost	Financial assets at fair value through other comprehensive income	Total	Financial assets at fair value through profit or loss	Financial assets at amortized cost	Financial assets at fair value through other comprehensive income	Total
Government bonds	11,306,341	578,907	41,909,250	53,794,498	5,579,784	581,013	40,679,921	46,840,718
Public sector and quasi-government bonds	10,239	–	5,267,722	5,277,961	10,341	–	4,929,996	4,940,337
Financial institution bonds	408,761	117,039	34,034,006	34,559,806	582,818	1,586,606	34,945,920	37,115,344
Corporate bonds	14,249,193	603,262	32,825,265	47,677,720	7,613,126	581,214	28,105,436	36,299,776
Trust products and rights to trust assets	17,853,431	18,842,108	–	36,695,539	14,570,839	15,445,631	–	30,016,470
Wealth management products	1,335,131	–	–	1,335,131	2,344,900	–	–	2,344,900
Asset management plans	1,619,696	490,677	–	2,110,373	518,134	513,748	–	1,031,882
Asset-backed securities	1,195,481	–	–	1,195,481	756,174	–	–	756,174
Derivative financial assets	671,366	–	–	671,366	802,792	–	–	802,792
Embedded derivatives debts	777,205	–	–	777,205	838,092	–	–	838,092
Debt investments	18,538,108	23,289,423	–	41,827,531	22,131,737	22,877,525	–	45,009,262
Mixed fund investments	47,972,819	–	–	47,972,819	56,381,773	–	–	56,381,773
Certificates of deposit	–	–	1,469,555	1,469,555	–	–	10,594,110	10,594,110
Others	3,298,585	–	–	3,298,585	3,052,830	–	–	3,052,830
Subtotal	119,236,356	43,921,416	115,505,798	278,663,570	115,183,340	41,585,737	119,255,383	276,024,460
Allowance for impairment losses	–	(667,485)	–	(667,485)	–	(1,001,339)	–	(1,001,339)
Total	119,236,356	43,253,931	115,505,798	277,996,085	115,183,340	40,584,398	119,255,383	275,023,121

As at June 30, 2021, the gross amount of neither past due nor impaired investment products at fair value through other comprehensive income was RMB115,505.80 million, and the allowance of RMB80.93 million was recognized in other comprehensive income.

As at December 31, 2020, the gross amount of neither past due nor impaired investment products at fair value through other comprehensive income was RMB119,255.38 million, and the allowance of RMB71.41 million was recognized in other comprehensive income.

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2021
(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, 2021, the gross amount of past due but not impaired investment products of the Group was RMB12,746.79 million, including financial assets at fair value through profit or loss of RMB12,498.19 million, and at amortized cost of RMB248.60 million with the allowance of RMB81.27 million recognized.

As at December 31, 2020, the past due but not impaired investment products of the Group were financial assets at fair value through profit or loss. The gross amount of investment products was RMB10,816.50 million.

(3) Impaired

As at June 30, 2021, the gross amount of the impaired investment products at fair value through profit or loss was RMB1,919.66 million, and the fair value loss of RMB1,140.12 million was recognized. The impairment of the impaired investment products at fair value through other comprehensive income has been fully accrued, and the allowance of RMB148.60 million was recognized in other comprehensive income. The gross amount of the impaired other debt instruments at amortized cost was RMB1,749.09 million, and the allowance of RMB548.58 million was recognized.

As at December 31, 2020, the gross amount of the impaired investment products at fair value through profit or loss was RMB1,921.43 million, and the fair value loss of RMB1,138.35 million was recognized. The impairment of the impaired investment products at fair value through other comprehensive income has been fully accrued, and the allowance of RMB150.05 million was recognized in other comprehensive income. The gross amount of the impaired other debt instruments at amortized cost was RMB4,218.83 million, and the allowance of RMB1,076.69 million was recognized.

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2021

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

53. Financial risk management (continued)

53.2 Market risk

Interest rate risk

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

	As at June 30, 2021 (Unaudited)						Non-interest-bearing	Total
	Less than 1 month	1-3 months	3-12 months	1-5 years	Over 5 years			
Cash and balances with central banks	10,369,749	-	-	-	-	3,123,661	13,493,410	
Deposits with banks and financial institutions	98,024,505	6,514,138	2,395,012	-	-	1,298,699	108,232,354	
Placements with banks and financial institutions	21,507,111	632,375	1,331,601	-	-	-	23,471,087	
Deposits with exchanges and others	2,186,019	-	-	-	-	-	2,186,019	
Financial assets at fair value through profit or loss	4,300,515	3,863,228	17,692,818	76,580,013	1,484,577	350,007,750	453,928,901	
Financial assets at fair value through other comprehensive income	27,205,328	10,692,733	17,687,453	56,282,040	2,693,208	5,538,622	120,099,384	
Loans and advances to customers	167,875,285	43,329,204	104,585,641	47,042,885	3,206,500	540,626	366,580,141	
Financial assets at amortized cost	25,278,087	16,820,392	62,890,729	104,938,669	8,362	-	209,936,239	
Accounts receivable	-	-	-	384,360	-	3,250,663	3,635,023	
Financial assets held under resale agreements	87,420,358	-	453,545	435,156	-	144,845	88,453,904	
Other financial assets	208,781	92,766	584,918	1,177	1,766	9,959,697	10,849,105	
Total financial assets	444,375,738	81,944,836	207,621,717	285,664,300	7,394,413	373,864,563	1,400,865,567	

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For the six months ended June 30, 2021
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IV. EXPLANATORY NOTES (continued)

53. Financial risk management (continued)

53.2 Market risk (continued)

Interest rate risk (continued)

	As at June 30, 2021 (Unaudited)						Non-interest-bearing	Total
	Less than 1 month	1-3 months	3-12 months	1-5 years	Over 5 years			
Borrowings from the central bank	-	(39,644)	-	-	-	(986,266)	(1,025,910)	
Accounts payable to brokerage clients	(12,809,432)	-	-	-	-	(3,680,075)	(16,489,507)	
Due to customers	(137,555,133)	(60,851,280)	(76,449,423)	(8,129,827)	-	(13,082,929)	(296,068,592)	
Deposits from banks and financial institutions	(3,237,781)	(1,762,083)	(377,970)	(8,175,000)	(700,000)	(224,340)	(14,477,174)	
Placements from banks and financial institutions	(2,348,766)	(5,146,575)	(5,254,518)	-	-	(50,186)	(12,800,045)	
Financial liabilities at fair value through profit or loss	(486,423)	(3,035,177)	(1,609,767)	-	-	(793,801)	(5,925,168)	
Financial assets sold under repurchase agreements	(17,927,755)	(2,346,022)	(2,401,596)	-	-	(1,671,550)	(24,346,923)	
Borrowings	(46,175,309)	(84,928,500)	(320,437,718)	(121,167,018)	(3,444,528)	(3,461,581)	(579,614,654)	
Bonds issued	(16,110,666)	(21,846,580)	(97,061,260)	(139,284,561)	(101,665,264)	(4,700,146)	(380,668,477)	
Accounts payable	-	-	-	-	-	(5,039,713)	(5,039,713)	
Other financial liabilities	(14,934)	(78,490)	(140,875)	(817,296)	(166,397)	(29,892,549)	(31,110,541)	
Total financial liabilities	(236,666,199)	(180,034,351)	(503,733,127)	(277,573,702)	(105,976,189)	(63,583,136)	(1,367,566,704)	
Interest rate gap	207,709,539	(98,089,515)	(296,111,410)	8,090,598	(98,581,776)	310,281,427	33,298,863	

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2021

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IV. EXPLANATORY NOTES (continued)

53. Financial risk management (continued)

53.2 Market risk (continued)

Interest rate risk (continued)

	As at December 31, 2020 (Audited)						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	12,383,502	-	-	-	-	2,991,546	15,375,048
Deposits with banks and financial institutions	76,226,924	4,954,756	4,562,736	-	-	2,209,147	87,953,563
Placements with banks and financial institutions	19,697,443	212,062	-	-	-	-	19,909,505
Deposits with exchanges and others	1,946,984	-	-	-	-	-	1,946,984
Financial assets at fair value through profit or loss	7,789,638	7,193,689	23,859,451	77,310,374	663,339	330,100,183	446,916,674
Financial assets at fair value through other comprehensive income	5,610,860	15,457,819	24,975,428	68,911,888	3,170,792	5,601,681	123,728,468
Loans and advances to customers	192,551,465	38,326,493	75,187,191	45,000,035	1,656,871	734,242	353,456,297
Financial assets at amortized cost	21,659,018	11,394,795	90,043,666	97,102,816	32,661	-	220,232,956
Accounts receivable	15,212	-	-	384,360	-	2,855,838	3,255,410
Financial assets held under resale agreements	30,631,860	4,579,366	313,994	435,156	-	280,777	36,241,153
Other financial assets	2,100	42,341	1,265,625	1,177	1,766	9,453,678	10,766,687
Total financial assets	368,515,006	82,161,321	220,208,091	289,145,806	5,525,429	354,227,092	1,319,782,745

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For the six months ended June 30, 2021
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IV. EXPLANATORY NOTES (continued)

53. Financial risk management (continued)

53.2 Market risk (continued)

Interest rate risk (continued)

	As at December 31, 2020						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	-	-	-	-	-	(986,058)	(986,058)
Accounts payable to brokerage clients	(13,045,266)	-	-	-	-	(3,538,581)	(16,583,847)
Due to customers	(135,353,256)	(57,336,498)	(65,025,816)	(3,243,963)	-	(12,684,641)	(273,644,174)
Deposits from banks and financial institutions	(3,978,380)	(3,863,730)	(391,502)	(7,105,000)	(80,000)	(123,572)	(15,542,184)
Placements from banks and financial institutions	(4,493,080)	(6,791,235)	(2,528,243)	-	-	(231,776)	(14,044,334)
Financial liabilities at fair value through profit or loss	(1,817,920)	(2,170,572)	(1,671,852)	-	-	(1,616,565)	(7,276,909)
Financial assets sold under repurchase agreements	(8,874,433)	(3,948,122)	(1,484,020)	-	-	(1,684,103)	(15,990,678)
Borrowings	(34,278,158)	(57,361,284)	(368,419,974)	(74,531,803)	(19,294,094)	(3,026,835)	(556,912,148)
Bonds issued	(36,279)	(21,483,793)	(75,886,723)	(146,967,791)	(105,330,923)	(6,072,021)	(355,777,530)
Accounts payable	-	-	-	-	-	(4,886,693)	(4,886,693)
Other financial liabilities	(272,841)	(206,431)	(2,671,112)	(539,468)	(22,916)	(25,158,839)	(28,871,607)
Total financial liabilities	(202,149,613)	(153,161,665)	(518,079,242)	(232,388,025)	(124,727,933)	(60,009,684)	(1,290,516,162)
Interest rate gap	166,365,393	(71,000,344)	(297,871,151)	56,757,781	(119,202,504)	294,217,408	29,266,583

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IV. EXPLANATORY NOTES (continued)

53. Financial risk management (continued)

53.2 Market risk (continued)

Foreign exchange risk

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

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

Group

	As at June 30, 2021 (Unaudited)	As at December 31, 2020 (Audited)
5% appreciation	425,400	245,821
5% depreciation	(425,400)	(245,821)

Price risk

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

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

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IV. EXPLANATORY NOTES (continued)

53. Financial risk management (continued)

53.2 Market risk (continued)

Price risk (continued)

	As at June 30 2021		As at December 31 2020	
	Profit before tax	Equity	Profit before tax	Equity
+1 percent	1,194,332	45,936	1,202,492	44,731
-1 percent	(1,194,332)	(45,936)	(1,202,492)	(44,731)

53.3 Liquidity risk

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

	As at June 30, 2021 (Unaudited)							Total
	Past due/ undated	On demand	Less than 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	
Cash and balances with central banks	10,367,333	3,126,077	-	-	-	-	-	13,493,410
Deposits with banks and financial institutions	166	88,404,606	10,918,432	6,514,138	2,395,012	-	-	108,232,354
Placements with banks and financial institutions	-	-	21,507,111	632,375	1,331,601	-	-	23,471,087
Deposits with exchanges and others	2,186,019	-	-	-	-	-	-	2,186,019
Financial assets at fair value through profit or loss	332,771,707	8,122,736	1,671,943	3,604,379	20,402,054	85,853,742	1,502,340	453,928,901
Loans and advances to customers	6,094,155	23,398,701	9,469,735	22,199,697	91,339,056	161,012,832	53,065,965	366,580,141
Accounts receivable	719,296	1,476,334	206,330	26,487	109,821	1,096,755	-	3,635,023
Financial assets held under resale agreements	198,688	-	87,364,392	-	454,470	436,354	-	88,453,904
Financial assets at fair value through other comprehensive income	4,593,586	-	27,624,184	10,717,673	17,755,471	56,692,671	2,715,799	120,099,384
Financial assets at amortized cost	12,677,279	1,819,684	10,781,124	16,820,392	62,890,729	104,938,669	8,362	209,936,239
Other financial assets	4,340,019	4,583,614	882,326	93,105	795,700	152,575	1,766	10,849,105
Total financial assets	373,948,248	130,931,752	170,425,577	60,608,246	197,473,914	410,183,598	57,294,232	1,400,865,567

Notes to the Interim Condensed Consolidated Financial Statements

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IV. EXPLANATORY NOTES (continued)

53. Financial risk management (continued)

53.3 Liquidity risk (continued)

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

	As at June 30, 2021 (Unaudited)							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)	-	-	(39,852)	-	-	-	(1,025,910)
Accounts payable to brokerage clients	-	(3,680,075)	(12,809,432)	-	-	-	-	(16,489,507)
Due to customers	-	(104,991,083)	(44,580,822)	(59,739,350)	(78,354,868)	(8,402,469)	-	(296,068,592)
Deposits from banks and financial institutions	-	(931,266)	(2,308,558)	(1,774,294)	(386,680)	(8,375,134)	(701,242)	(14,477,174)
Placements from banks and financial institutions	-	(27,497)	(2,364,344)	(5,151,922)	(5,256,282)	-	-	(12,800,045)
Financial liabilities at fair value through profit or loss	-	(155,425)	(486,423)	(3,664,467)	(1,609,765)	(2,153)	(6,935)	(5,925,168)
Financial assets sold under repurchase agreements	-	(1,773,904)	(17,824,594)	(2,346,734)	(2,401,691)	-	-	(24,346,923)
Borrowings	(533,762)	(19,281,981)	(45,235,162)	(85,584,012)	(321,795,459)	(103,735,201)	(3,449,077)	(579,614,654)
Bonds issued	-	-	(16,386,642)	(22,087,783)	(97,832,172)	(141,327,326)	(103,034,554)	(380,668,477)
Accounts payable	(123,055)	(3,762,392)	(207,562)	(138)	(490,503)	(456,063)	-	(5,039,713)
Other financial liabilities	(858,759)	(22,062,776)	(708,897)	(287,053)	(2,156,754)	(4,390,534)	(645,768)	(31,110,541)
Total financial liabilities	(2,501,634)	(156,666,399)	(142,912,436)	(180,675,605)	(510,284,174)	(266,688,880)	(107,837,576)	(1,367,566,704)
Net position	371,446,614	(25,734,647)	27,513,141	(120,067,359)	(312,810,260)	143,494,718	(50,543,344)	33,298,863

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IV. EXPLANATORY NOTES (continued)

53. Financial risk management (continued)

53.3 Liquidity risk (continued)

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

	As at December 31, 2020 (Audited)							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	7,972,169	7,402,879	-	-	-	-	-	15,375,048
Deposits with banks and financial institutions	166	62,949,253	15,485,789	4,955,619	4,562,736	-	-	87,953,563
Placements with banks and financial institutions	-	-	19,697,613	211,892	-	-	-	19,909,505
Deposits with exchanges and others	1,946,984	-	-	-	-	-	-	1,946,984
Financial assets at fair value through profit or loss	316,870,573	10,494,878	3,368,488	7,819,567	27,768,489	79,913,578	681,101	446,916,674
Loans and advances to customers	4,835,240	21,456,317	6,771,545	28,846,395	87,002,193	153,401,520	51,143,087	353,456,297
Accounts receivable	459,266	1,208,722	247,350	197,000	731,895	411,177	-	3,255,410
Financial assets held under resale agreements	240,274	-	30,669,598	4,580,825	313,994	436,462	-	36,241,153
Financial assets at fair value through other comprehensive income	4,473,085	-	5,676,429	15,616,884	25,127,524	69,647,423	3,187,123	123,728,468
Financial assets at amortized cost	16,994,357	1,838,962	2,825,700	11,343,655	89,564,932	97,632,689	32,661	220,232,956
Other financial assets	3,172,323	4,789,705	1,127,062	45,170	1,311,393	319,268	1,766	10,766,687
Total financial assets	356,964,437	110,140,716	85,869,574	73,617,007	236,383,156	401,762,117	55,045,738	1,319,782,745

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For the six months ended June 30, 2021

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IV. EXPLANATORY NOTES (continued)

53. Financial risk management (continued)

53.3 Liquidity risk (continued)

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

	As at December 31, 2020 (Audited)							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	-	(3,538,581)	(13,045,266)	-	-	-	-	(16,583,847)
Due to customers	-	(104,862,591)	(43,398,609)	(50,958,288)	(67,822,820)	(6,601,866)	-	(273,644,174)
Deposits from banks and financial institutions	-	(705,966)	(3,379,247)	(3,878,650)	(393,321)	(7,105,000)	(80,000)	(15,542,184)
Placements from banks and financial institutions	-	(218,872)	(3,894,405)	(7,398,027)	(2,533,030)	-	-	(14,044,334)
Financial liabilities at fair value through profit or loss	(12,243)	(73,468)	(2,132,973)	(2,452,077)	(2,173,593)	(419,984)	(12,571)	(7,276,909)
Financial assets sold under repurchase agreements	-	(1,683,280)	(8,875,256)	(3,948,122)	(1,484,020)	-	-	(15,990,678)
Borrowings	(504,059)	(32,800,248)	(33,776,825)	(57,783,285)	(355,787,720)	(73,495,718)	(2,764,293)	(556,912,148)
Bonds issued	-	-	(36,404)	(21,753,880)	(76,535,069)	(148,968,097)	(108,484,080)	(355,777,530)
Accounts payable	(82,353)	(4,589,211)	(63,263)	-	(127,814)	(24,052)	-	(4,886,693)
Other financial liabilities	(982,722)	(17,126,290)	(1,307,889)	(705,708)	(4,672,059)	(3,587,726)	(489,213)	(28,871,607)
Total financial liabilities	(2,567,435)	(165,598,507)	(109,910,137)	(148,878,037)	(511,529,446)	(240,202,443)	(111,830,157)	(1,290,516,162)
Net position	354,397,002	(55,457,791)	(24,040,563)	(75,261,030)	(275,146,290)	161,559,674	(56,784,419)	29,266,583

IV. EXPLANATORY NOTES (continued)

53. Financial risk management (continued)

53.4 Risk management of distressed assets

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

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

The types of risk, their risk management procedures, fair value measurement techniques and impairment assessment are similar to those described in the consolidated financial statements for the year ended December 31, 2020.

53.5 Capital management

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

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

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

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

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For the six months ended June 30, 2021

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IV. EXPLANATORY NOTES (continued)

53. Financial risk management (continued)

53.5 Capital management (continued)

In accordance with the requirements of Off-site Supervision Reporting Index System on Financial Asset Management Companies (Yinjianbanfa [2016] No. 38), issued by the CBIRC in 2016, the Company is required to maintain a minimum core Tier I, common Tier I and Tier II Capital Adequacy Ratio (“CAR”) at 9%, 10% and 12.5% respectively. CAR is calculated by dividing the corresponding qualified capital of the Company by its risk-weighted assets. As at June 30, 2021 and December 31, 2020, the Company complied with the regulatory requirements on the minimum CAR.

54. Fair values of financial instruments

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

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

Level 2: Valuation techniques using inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, including bond prices, equity and stock prices, interest rates, foreign exchange rates; and

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

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2021
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IV. EXPLANATORY NOTES (continued)

54. Fair values of financial instruments (continued)

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

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

	As at June 30, 2021 (Unaudited)	
	Carrying amount	Fair value
Financial assets		
Financial assets at amortized cost		
– Distressed debt assets	165,314,470	159,478,777
– Other debt investments	44,621,769	43,897,049
Accounts receivable	3,635,023	3,595,903
Total	213,571,262	206,971,729
Financial liabilities		
Borrowings	(579,614,654)	(579,944,136)
Bonds issued	(380,668,477)	(382,975,514)
Total	(960,283,131)	(962,919,650)

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2021

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

54. Fair values of financial instruments (continued)

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

	As at December 31, 2020 (Audited)	
	Carrying amount	Fair value
Financial assets		
Financial assets at amortized cost		
– Distressed debt assets	176,506,416	170,475,461
– Other debt investments	43,726,540	43,565,315
Accounts receivable	3,255,410	3,216,272
Total	223,488,366	217,257,048
Financial liabilities		
Borrowings	(556,912,148)	(557,444,973)
Bonds issued	(355,777,530)	(358,033,552)
Total	(912,689,678)	(915,478,525)

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For the six months ended June 30, 2021
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IV. EXPLANATORY NOTES (continued)

54. Fair values of financial instruments (continued)

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

	As at June 30, 2021			
	(Unaudited) Level 1	(Unaudited) Level 2	(Unaudited) Level 3	(Unaudited) Total
Financial assets				
Financial assets at amortized cost				
– Distressed debt assets	–	–	159,478,777	159,478,777
– Other debt investments	574,978	–	43,322,071	43,897,049
Accounts receivable	–	–	3,595,903	3,595,903
Total	574,978	–	206,396,751	206,971,729
Financial liabilities				
Borrowings	–	–	(579,944,136)	(579,944,136)
Bonds issued	–	(275,957,230)	(107,018,284)	(382,975,514)
Total	–	(275,957,230)	(686,962,420)	(962,919,650)

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2021

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

54. Fair values of financial instruments (continued)

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

	As at December 31, 2020			
	(Audited)	(Audited)	(Audited)	(Audited)
	Level 1	Level 2	Level 3	Total
Financial assets				
Financial assets at amortized cost				
– Distressed debt assets	–	–	170,475,461	170,475,461
– Other debt investments	576,158	–	42,989,157	43,565,315
Accounts receivable	–	–	3,216,272	3,216,272
Total	576,158	–	216,680,890	217,257,048
Financial liabilities				
Borrowings	–	–	(557,444,973)	(557,444,973)
Bonds issued	–	(254,681,290)	(103,352,262)	(358,033,552)
Total	–	(254,681,290)	(660,797,235)	(915,478,525)

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, 2021
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IV. EXPLANATORY NOTES (continued)

54. Fair values of financial instruments (continued)

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

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of the reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined, including their fair value hierarchy, valuation technique(s) and key input(s) used.

Financial assets/financial liabilities	Fair value		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, 2021 (Unaudited)	As at December 31, 2020 (Audited)				
1) Financial assets classified as at fair value through profit or loss	453,928,901	446,916,674				
Debt securities	25,983,839	13,804,996				
– Traded in stock exchanges	2,680,048	4,820,544	Level 1	• Quoted bid prices in an active market.	N/A	N/A
	4,017,809	328,674	Level 2	• Quoted market prices from dealers or independent pricing service vendors.	N/A	N/A
	18,928	9,622	Level 3	• Default rates of recovery.	• Expected recoverable amounts.	• The higher the expected recoverable amounts, the higher the fair value.
– Traded in inter-bank markets	2,971,150	19,422	Level 1	• Quoted bid prices in an active market.	N/A	N/A
	9,405,301	1,927,621	Level 2	• Quoted market prices from dealers or independent pricing service vendors.	N/A	N/A
– Traded over the counter	5,711,637	5,468,774				

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2021

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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, 2021 (Unaudited)	As at December 31, 2020 (Audited)				
- Traded in inactive markets	1,178,966	1,230,339	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 rate, the higher the fair value. The higher the volatility rate, the higher the fair value.
Equity investments listed or traded on exchanges	13,939,603	13,561,934				
Unrestricted listed equity investments	11,032,622	9,992,025				
- Manufacturing	3,540,533	3,118,215	Level 1	<ul style="list-style-type: none"> Quoted bid prices in an active market. 	N/A	N/A
	1,142,132	1,128,098	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.
					<ul style="list-style-type: none"> Discount for lack of marketability (DLOM). 	<ul style="list-style-type: none"> The lower the DLOM, the higher the fair value.
- Financial services	1,040,646	868,338	Level 1	<ul style="list-style-type: none"> Quoted bid prices in an active market. 	N/A	N/A
- Leasing and commercial services	242,802	239,052	Level 1	<ul style="list-style-type: none"> Quoted bid prices in an active market. 	N/A	N/A

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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, 2021 (Unaudited)	As at December 31, 2020 (Audited)				
– Mining	1,602,637	1,749,933	Level 1	• Quoted bid prices in an active market.	N/A	N/A
– Transportation, warehousing and postal services	851,258	791,012	Level 1	• Quoted bid prices in an active market.	N/A	N/A
– Information transmission, software and information technology services	95,846	162,828	Level 1	• Quoted bid prices in an active market.	N/A	N/A
– Culture, sports and entertainment	232,420	229,371	Level 1	• Quoted bid prices in an active market.	N/A	N/A
– Scientific research, technical services and geological prospecting industry	645,971	709,347	Level 1	• Quoted bid prices in an active market.	N/A	N/A
– Health and social security industry	329,484	96,721	Level 1	• Quoted bid prices in an active market.	N/A	N/A
– Real estate	147,655	153,207	Level 1	• Quoted bid prices in an active market.	N/A	N/A
– Others	1,161,238	745,903	Level 1	• Quoted bid prices in an active market.	N/A	N/A
Restricted listed equity investments	2,906,981	3,569,909	Level 3	• Option pricing model.	• Stock volatility.	• The lower the stock volatility, the higher the fair value.
– Manufacturing	48,988	654,607				
– Culture, sports and entertainment	3,799	4,253				
– Mining	2,496,479	2,443,368				
– Others	357,715	467,681				

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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, 2021 (Unaudited)	As at December 31, 2020 (Audited)				
Equity investments in unlisted companies	50,817,421	49,474,894				
	47,195,820	45,988,513	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.
	3,621,601	3,486,381	Level 3	<ul style="list-style-type: none"> Income approach. 	<ul style="list-style-type: none"> Discount for lack of marketability (DLOM). Expected future cash flow. Discount rates that correspond to the expected risk level. 	<ul style="list-style-type: none"> The lower the DLOM, the higher the fair value. The higher the future cash flow, the higher the fair value. The lower the discount rate, the higher the fair value.
Mutual funds	102,947,544	108,997,761				
– Mutual funds with open or active quotations	10,521,114	9,293,021	Level 1	<ul style="list-style-type: none"> Quoted bid prices in an active market. 	N/A	N/A
	10,127,988	9,361,671	Level 2	<ul style="list-style-type: none"> Quoted market prices from dealers or independent pricing service vendors. 	N/A	N/A

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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, 2021 (Unaudited)	As at December 31, 2020 (Audited)				
- Investing in debt instruments	51,454,168	59,016,549	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	523,055	592,870	Level 1	<ul style="list-style-type: none"> Quoted bid prices in an active market. 	N/A	N/A
- Investing in other equity instruments	30,321,219	30,733,650	Level 3	<ul style="list-style-type: none"> Comparable listed company method, comparable transaction cases, etc. 	<ul style="list-style-type: none"> Market multiplier. Discount for lack of marketability (DLOM). 	<ul style="list-style-type: none"> The higher the market multiplier, the higher the fair value. The lower the DLOM, the higher the fair value.

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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, 2021 (Unaudited)	As at December 31, 2020 (Audited)				
Debt instruments	27,752,629	31,674,575				
– Other debt instruments	26,975,424	30,836,483	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	777,205	838,092	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 more the future cash flows, the higher the fair value. The lower the discount rate, the higher the fair value. The higher the stock price volatility, the higher the fair value.

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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, 2021 (Unaudited)	As at December 31, 2020 (Audited)				
Derivative financial assets	2,234,576	2,416,116				
	208,778	225,262	Level 1	• Quoted bid prices in an active market.	N/A	N/A
	462,588	577,530	Level 2	• Valuation techniques based on market data including interest rate and foreign exchange rate.	N/A	N/A
	1,563,210	1,613,324	Level 3	• Discounted cash flows with future cash flows that are estimated based on expected recoverable amounts, discounted at rates that reflect management's best estimation of the expected risk level.1 (i)	<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.

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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, 2021 (Unaudited)	As at December 31, 2020 (Audited)				
Distressed debt assets	200,841,511	198,746,185	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	1,335,131	2,344,900	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.

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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, 2021 (Unaudited)	As at December 31, 2020 (Audited)				
Assets management plans	1,619,696	1,351,141				
– Investing in the portfolio with open or active quotations	476,014	377,082	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	83,716	257,196	Level 3	<ul style="list-style-type: none"> Discounted cash flow with future cash flows that are estimated based on expected recoverable amounts, discounted at rates that reflect management's best estimation of the expected risk level. 	<ul style="list-style-type: none"> Expected future cash 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 rate, the higher the fair value.
– Investing in equity instruments	1,059,966	716,863	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, 2021

(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, 2021 (Unaudited)	As at December 31, 2020 (Audited)				
Asset-backed securities	1,195,481	756,174	Level 3	<ul style="list-style-type: none"> Discounted cash flow with future cash flows that are estimated based on expected recoverable amounts, discounted at rates that reflect management's best estimation of the expected risk level. 	<ul style="list-style-type: none"> Expected future cash 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 rate, the higher the fair value.
Trust products and rights to trust assets	25,205,647	23,732,087				
– Investing in the portfolio with open or active market quotations	525,222	215,366	Level 2	<ul style="list-style-type: none"> Quoted market prices from dealers or independent pricing service vendors. 	N/A	N/A
– Investing in debt instruments	21,412,126	20,867,860	Level 3	<ul style="list-style-type: none"> Discounted cash flow with future cash flows that are estimated based on expected recoverable amounts, discounted at rates that reflect management's best estimation of the expected risk level. 	<ul style="list-style-type: none"> Expected future cash 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 rate, the higher the fair value.

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2021
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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, 2021 (Unaudited)	As at December 31, 2020 (Audited)				
- Investing in equity instruments	3,268,299	2,648,861	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	55,823	55,911				
- Investing in the portfolio with open or active market quotations	7,643	7,732	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	48,180	48,179	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, 2021

(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, 2021 (Unaudited)	As at December 31, 2020 (Audited)				
2) Loans and advances to customers at fair value through profit or loss						
– Loans and advances	19,022,010	19,546,738	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	120,099,384	123,728,468				
Debt investments at fair value through other comprehensive income	115,505,798	119,255,383				
Debt securities	114,036,243	108,661,273				
– Traded on stock exchanges	18,834,760	21,737,439	Level 1	<ul style="list-style-type: none"> Quoted bid prices in an active market. 	N/A	N/A
– Traded in inter-bank markets	52,533,545	35,141,914	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	42,667,938	51,781,920				

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2021
(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, 2021 (Unaudited)	As at December 31, 2020 (Audited)				
Certificates of deposit	1,469,555	10,594,110	Level 2	<ul style="list-style-type: none"> Quoted market prices from dealers or independent pricing service vendors. 	N/A	N/A
Equity instruments designated as at fair value through other comprehensive income	4,593,586	4,473,085				
Restricted listed equity investments	4,546,495	4,427,545				
– Manufacturing	3,562,321	3,443,371	Level 3	<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.
– Financial service	984,174	984,174	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.
Unlisted equity instruments	47,091	45,540				
– Financial service	47,091	45,540	Level 3	<ul style="list-style-type: none"> Income approach. 	<ul style="list-style-type: none"> Expected future cash flow. Discount rates that correspond to the expected risk level. 	<ul style="list-style-type: none"> The more the future cash flow, the higher the fair value. The lower the discount rate, the higher the fair value.
4) Financial liabilities at fair value through profit or loss	(5,925,168)	(7,276,909)				

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2021

(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, 2021 (Unaudited)	As at December 31, 2020 (Audited)				
- Short positions in exchange fund bills and notes	(4,823,471)	(5,597,737)	Level 2	• Calculated based on the quoted prices of similar assets traded in an active market.	N/A	N/A
- OTC derivative financial liabilities	(793,801)	(1,616,565)	Level 2	• Calculated based on the quoted prices of similar assets traded in an active market.	N/A	N/A
- Financing payables linked to stock index	(307,896)	(62,607)	Level 2	• Calculated based on the quoted prices of similar assets traded in an active market.	N/A	N/A

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2021
(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

54. Fair values of financial instruments (continued)

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

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

	As at June 30, 2021 (Unaudited)			Total
	Level 1	Level 2	Level 3	
Financial assets at fair value through profit or loss	26,794,635	30,734,202	396,400,064	453,928,901
Loans and advances to customers	–	–	19,022,010	19,022,010
Financial assets at fair value through other comprehensive income	18,834,760	96,671,038	4,593,586	120,099,384
Total assets	45,629,395	127,405,240	420,015,660	593,050,295
Financial liabilities at fair value through profit or loss	–	(5,925,168)	–	(5,925,168)
Total liabilities	–	(5,925,168)	–	(5,925,168)

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2021

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

54. Fair values of financial instruments (continued)

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

	As at December 31, 2020			Total
	Level 1	Level 2	Level 3	
(Audited)				
Financial assets at fair value				
through profit or loss	23,815,046	18,264,450	404,837,178	446,916,674
Loans and advances to customers	–	–	19,546,738	19,546,738
Financial assets at fair value through				
other comprehensive income	21,737,439	97,517,944	4,473,085	123,728,468
Total assets	45,552,485	115,782,394	428,857,001	590,191,880
Financial liabilities at fair value				
through profit or loss	–	(7,276,909)	–	(7,276,909)
Total liabilities	–	(7,276,909)	–	(7,276,909)

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2021
(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

54. Fair values of financial instruments (continued)

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

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

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

54.3 Reconciliation of Level 3 fair value measurements

	(Unaudited)		
	Financial assets at FVTPL	Financial assets at FVOCI	Financial liabilities at FVTPL
As at January 1, 2021	404,837,178	4,473,085	–
Recognized in profit or loss	(1,631,372)	–	–
Recognized in other comprehensive income	–	120,501	–
Purchases	34,346,361	–	–
Settlements/disposals at cost	(40,672,071)	–	–
Transfer out from Level 3	(480,032)	–	–
As at June 30, 2021	396,400,064	4,593,586	–
Unrealized gains or losses for the period included in profit or loss for assets/ liabilities held as at June 30, 2021	(1,761,561)	–	–

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2021

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

54. Fair values of financial instruments (continued)

54.3 Reconciliation of Level 3 fair value measurements (continued)

	(Audited)		
	Financial assets at FVTPL	Financial assets at FVOCI	Financial liabilities at FVTPL
As at January 1, 2020	379,688,187	4,227,563	–
Recognized in profit or loss	(1,968,615)	–	–
Recognized in other comprehensive income	–	(738,652)	–
Purchases	98,797,969	984,174	–
Settlements/disposals at cost	(68,073,771)	–	–
Transfer in Level 3	500	–	–
Transfer out from Level 3	(3,607,092)	–	–
As at December 31, 2020	404,837,178	4,473,085	–
Unrealized gains or losses for the year included in profit or loss for assets/ liabilities held, at the end of the year	(451,885)	–	–

Certain restricted equity instruments became tradable during the first half of year 2021, and quoted prices in active markets were available for these securities. Therefore, these securities were transferred from Level 3 to Level 1 of the fair value hierarchy at the end of the reporting period.

Total gains or losses for the six months ended June 30, 2021 and the year ended December 31, 2020 included in the statement of profit or loss as well as total gains or losses included in the statement of profit or loss relating to financial instruments held as at June 30, 2021 and December 31, 2020 are presented in “fair value changes on distressed debt assets”, “fair value changes on other financial assets”, “impairment losses on assets” depending on the nature or category of the related financial instruments.

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2021
(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

55. Discontinued operation

On December 13, 2019, the Company entered into a Sale and Purchase Agreement with Champion Property & Casualty Insurance Co., Ltd. and Dongguan Communications Investment Group Co., Ltd.. The Company sold 50.995% of the equity interests held in Happy Life for RMB7.5 billion. With Happy Life being classified as held for sale, the insurance businesses are no longer presented in the Group's segment note. Happy life constitutes a discontinued operation. As at June 30, 2020, the disposal procedure had not been completed. The disposal was completed in July 2020 in accordance with the terms and conditions of the Sale and Purchase Agreement. Upon the completion, Happy Life ceased to be included in the consolidated financial statements as a subsidiary of the Group.

55.1 The results of the discontinued operation for the period

	Period ended June 30	
	2021 (Unaudited)	2020 (Unaudited)
Fair value changes on other financial instruments	–	1,023,234
Investment income	–	226,146
Net insurance premiums earned	–	6,542,715
Interest income	–	502,407
Commission and fee income	–	29,519
Other income and other net gains or losses	–	(6,495)
Total	–	8,317,526
Interest expense	–	(142,282)
Insurance costs	–	(6,847,594)
Commission and fee expense	–	(619,347)
Employee benefits	–	(319,108)
Taxes and surcharges	–	(3,481)
Depreciation and amortization expenses	–	–
Other expenses	–	(101,380)
Impairment losses on assets	–	(808)
Total	–	(8,034,000)

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2021

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

55. Discontinued operation (continued)

55.1 The results of the discontinued operation for the period (continued)

	Period ended June 30	
	2021 (Unaudited)	2020 (Unaudited)
Change in net assets attributable to other holders of consolidated structured entities	–	47
Profit before share of results of associates and joint ventures and tax	–	283,573
Share of results of associates and joint ventures	–	12,947
Profit before tax from the discontinued operation	–	296,520
Income tax (expense)/credit from the discontinued operation	–	(27,851)
Profit for the period from the discontinued operation	–	268,669
Earnings per share attributable to ordinary equity holders of the Company from the discontinued operation (Expressed in RMB Yuan per share)		
– Basic	–	0.01
– Diluted	–	0.01

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2021
(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

55. Discontinued operation (continued)

55.2 Net cash flows from the discontinued operation

	Period ended June 30	
	2021 (Unaudited)	2020 (Unaudited)
Operating	–	(3,685,745)
Investing	–	3,547,961
Financing	–	(6,200)
Net cash outflow	–	(143,984)

55.3 Gain on disposal of the discontinued operation

	At the date of disposal
Total consideration	7,500,000
Less: Net assets disposed of	2,557,453
Cumulative other comprehensive income reclassified to the statement of profit or loss	235,640
Tax effect of a discontinued operation	1,200,107
Gain on disposal of the discontinued operation	3,506,800

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2021

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

55. Discontinued operation (continued)

55.4 Net assets of Happy Life at the date of disposal

	At the date of disposal
Cash and balances with central banks	43
Deposits with banks and financial institutions	1,291,122
Deposits with exchanges and others	728
Financial assets at fair value through profit or loss	34,613,629
Financial assets held under resale agreements	1,174,743
Financial assets at fair value through other comprehensive income	13,241,266
Financial assets at amortized cost	6,651,337
Accounts receivable	337,022
Investment properties	124,399
Interests in associates and joint ventures	811,499
Property and equipment	118,973
Other intangible assets	44,192
Deferred tax assets	52,553
Other assets	2,248,297
<hr/>	
Less: Accounts payable	36,490
Investment contract liabilities for policyholders	8,442,736
Insurance contract liabilities	38,864,239
Bonds issued	6,139,988
Deferred tax liabilities	48,320
Other liabilities	2,162,924
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Net assets	5,015,106
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Attributable to:	
Equity holders of the Company	2,557,453
Non-controlling interests	2,457,653
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Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2021
(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

55. Discontinued operation (continued)

55.5 Net cash flows from the disposal of the discontinued operation

	At the date of disposal
Cash consideration received from disposal	7,500,000
Less: cash and cash equivalents balances disposed of	1,330,241
Net cash inflow from disposal	6,169,759

56. Acquisition of subsidiaries

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

Consideration paid:

	Period ended June 30, 2021
Cash consideration paid	-

Analysis of assets and liabilities of the subsidiaries acquired:

	As at the date of acquisition
Total assets	8,650,313
Total liabilities	(8,650,313)

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2021

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

56. Acquisition of subsidiaries (continued)

Net cash flows arising on acquisition:

	Period ended June 30, 2021
Cash consideration paid	–
Cash and cash equivalents balances acquired	179,802
Net cash flows	179,802

For the six months ended June 30, 2020, the Group had no acquisition of subsidiaries.

57. Disposal of subsidiaries

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

Consideration received:

	Period ended June 30, 2021
Cash received	18,210

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2021
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IV. EXPLANATORY NOTES (continued)

57. Disposal of subsidiaries (continued)

Analysis of assets and liabilities of the subsidiaries disposed of:

	As at the date of disposal
Total assets	105,530
Total liabilities	(71,559)

Net cash flows arising on disposal:

	Period ended June 30, 2021
Cash consideration received	18,210
Less: Cash and cash equivalent balances disposed of	16,673
Net cash flows	1,537

For the six months ended June 30, 2020, the Group had no disposal of subsidiaries.

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2021

(Amounts in thousands of RMB, unless otherwise stated)

V. EVENTS AFTER THE REPORTING PERIOD

1. Pursuant to the terms and conditions of the Offshore Preference Shares, the Company intends to redeem the Offshore Preference Shares in whole on September 30, 2021. The aggregate redemption price of the Offshore Preference Shares equals to the sum of USD3,200 million as the aggregate amount of the liquidation preference of the Offshore Preference Shares and the Dividends to be paid to the holders of the Offshore Preference Shares in an amount of USD142.40 million, a total of USD3,342.40 million. The Company has received a reply letter from the CBIRC.
2. The Company completed issuance of the 2021 Undated Capital Bonds (First Tranche) (the “Bonds”) in China’s national inter-bank bond market on 16 August 2021. The size of issuance of the Bonds is RMB10 billion. The coupon rate is 4.40% during the first five years and will be reset every 5 years. The issuer shall have a conditional redemption right on every dividend payment date from the fifth year onwards.

VI. APPROVAL OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The interim condensed consolidated financial statements have been approved by the Board of Directors of the Company on August 27, 2021.



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